ANNUAL REPORT 2002

COGECO

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Profile

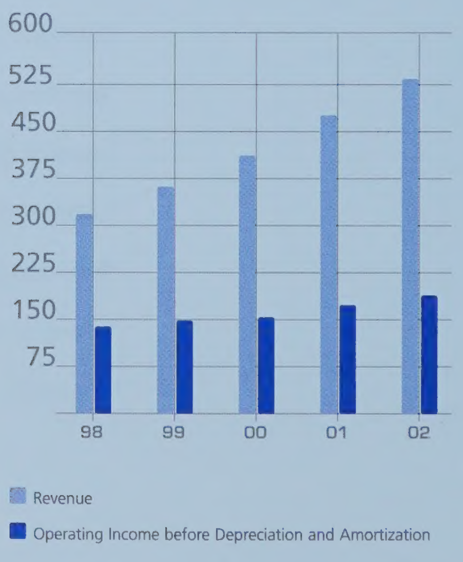
COGECO is a diversified communications company with shares listed on the Toronto Stock Exchange. The Company strives to meet the communication needs of consumers and advertisers through cable distribution and broadcasting.

COGECO provides 1,124,358 service units to the 1,375,494 households passed by its cable network in the territories it serves. It is the second largest cable system operator in both Ontario and Quebec and the fourth largest in Canada. Its cable subsidiary, Cogeco Cable Inc., is also a public company with shares listed on the Toronto Stock Exchange. Cogeco Cable is evolving into one of Canada's major telecommunications companies, by building on its cable distribution base with the offering of analog, digital and high-speed Internet services.

COGECO is the controlling shareholder of the TQS network serving Quebec's major markets in the French language through the operation of eight television stations. Its broadcasting subsidiary, Cogeco Radio-Television Inc., also operates two wholly-owned radio stations in Montreal and Quebec City and has been awarded a licence to operate a second FM radio station in Quebec City.

COGECO intends to remain at the forefront of the communications sector through sound investments in facilities, the offering of leading edge communications services and the pursuit of growing profitability.

Revenue and Operating Income before Depreciation and Amortization
(in millions of dollars)



Financial Highlights

Years ended August 31,
(in thousands of dollars, except rates of return and ratios and per share data)

	2002	2001	Variance
Operations			
Revenue	$ 531,998	$ 478,814	11%
Operating income before depreciation and amortization	187,305	174,346	7
Net income from recurring operations	11,613	16,634	(30)
Net income	40,417	69,357	(42)
Cash Flow [1]	125,461	115,363	9
Financial Condition			
Total assets	$1,991,762	$1,838,235	8%
Total indebtedness	855,832	823,121	4
Shareholders' equity	343,033	305,822	12
Rates of Return and Ratios			
Operating margin before depreciation and amortization	35.2%	36.4%	
Return on average shareholders' equity	12.5	25.3	
Total indebtedness on operating income before depreciation and amortization	4.6	4.7	
Interest coverage	3.1	3.2	
Per Share (basic)			
Net income from recurring operations	$ 0.72	$ 1.03	(30)%
Net income	2.49	4.28	(42)
Cash Flow [1]	7.73	7.12	9
Shareholders' equity	21.10	18.84	12
Weighted average number of outstanding shares (in thousands)	16,240	16,204	—

(1) The Company defines "Cash Flow" as cash flow from operating activities before unusual items and changes in non-cash working capital items.

Report
to Shareholders

Maurice Myrand
Chairman of the Board

Louis Audet
President and Chief Executive Officer

Fiscal year 2001–2002 has been an interesting year for COGECO. Subsidiary Cogeco Radio-Television has performed well thanks to improved audience ratings and the successful integration of the TQS network in mid-year, a highly strategic enhancement for your Company. Subsidiary Cogeco Cable has had a more challenging year because of basic service customer losses to both legal and illegal satellite services. Nonetheless, sales of Cogeco Cable high-speed Internet and Cogeco Cable digital services were strong and the operating margin before depreciation and amortization rose compared to the previous fiscal year. Much was accomplished this year in the cable sector to increase its competitiveness.

Net income from recurring operations was $12 million or $0.72 per share, compared to $17 million or $1.03 per share last year. Revenue increased by 11% to reach $532 million. Operating income before depreciation and amortization increased by 7% to reach $187 million, a solid improvement over last year.

On the broadcasting side of the business, Cogeco Radio-Television (CRTI) did very well, registering a 36% increase to $17 million in operating income before depreciation and amortization. Increased sales are a reflection of audience growth in radio and television, as well as of the acquisition of the TQS network.

The TQS network, including its television stations in Montreal, Quebec City and Rimouski, was acquired on February 15, 2002. Cogeco Radio-Television holds a 60% controlling interest and partner Bell Globemedia holds the remaining 40% of the television assets. These include the pre-existing six CRTI television stations in Sherbrooke, Trois-Rivières and Saguenay, affiliates of both Société Radio-Canada and TQS in each city, that were rolled into this joint acquisition company, essentially dispensing CRTI from disbursing cash. Results for the first six months of CRTI's stewardship of TQS are quite satisfying and overall television operating income before depreciation and amortization at CRTI has grown 34% as a result, reaching $10 million.

This acquisition is strategically significant for COGECO as it triples company revenues derived from broadcasting on a pro forma basis and extends the company's reach into network television content across all of Quebec.

On November 2, 2001, CRTI and Société Radio-Canada (SRC) renewed until 2008 their affiliation agreement for the SRC affiliated stations in Sherbrooke, Trois-Rivières and Saguenay. CRTI continues to own and manage these affiliated stations but SRC ensures the production of local news on these stations and the associated news staff has therefore been transferred to SRC.

The audience share of TQS in Quebec was confirmed last Spring by BBM at a level of about 16%, the highest ever for the network. TQS is the only general-interest TV network experiencing audience growth in Quebec, along with the specialty TV segment. Le Grand Journal, TQS' local daily news presentation, continues to lead in the critical 5:00 p.m. time slot. Also noteworthy is the success of "Lance et Compte, Nouvelle Génération", which has attracted over 1.5 million viewers, unquestionably demonstrating the capability of the TQS Network to attract large audiences with major television series. TQS plans to air more of these television series to nurture the continued growth of its audience.

Programs produced by the radio and television stations of the COGECO Group were awarded several prizes at the Canadian Association of Broadcasters' (CAB) convention held in Vancouver on October 22, 2002. In the radio sector, CJMF FM 93 (Quebec) won a Gold Ribbon Award for its coverage of "Le Sommet des Amériques" in April 2001 in two categories : "Information Program" and "What Radio Does Best". In the television sector, TQS also won Gold Ribbon Awards for "La Plage Maudite" ("Documentary" category – CJFP-TV, Montreal) while "Hebdo Sports" won in the "Magazine Programming" category (CFAP-TV, Quebec) and "Le Noël du Pauvre" (CKTM-TV, Trois-Rivières), won in the "Community Service/Small Market category".

CRTI has decided to totally write down the value of its minority investment in Stornoway Communications Limited Partnership, thus reducing book value by $5.7 million because of the disappointing audience results achieved by I Channel and BPM: The Dance channel, which were launched in Canada, in early September 2001, as part of a complement of 50 new English-language digital services.

Radio station 105.7 RYTHME FM in Montreal registered audience improvements in excess of 40% over the preceding year and advertising revenues continue to increase as a result. Radio station CJMF-FM 93 is experiencing a mild audience decline due to changes in the line-up of on-air hosts, but has managed to limit the effect of this audience decline on operating income before depreciation and amortization. On July 15, 2002, through a competitive process, the CRTC awarded CRTI a second FM radio licence in Quebec City on frequency 91.9 MHz to serve the provincial Capital with the popular RYTHME FM format. The new FM radio station will begin broadcasting in September 2003. CRTI has filed similar FM licence applications, which are now pending before the CRTC, for Sherbrooke, Trois-Rivières and Saguenay.

On the cable side of the business, Cogeco Cable Inc. had a challenging year with some notable successes. During the year, the number of customers to Cogeco Cable's high-speed Internet service increased by 47% to 158,192, representing 18.9% of basic service customers (13.4% of two-way households passed). This dramatic increase reflects the continued market appeal of the Cogeco Cable high-speed Internet service with growing numbers of consumers who appreciate its reliability and speed, which is twice as fast as the regular DSL high-speed service offered by competing telephone companies in most of Cogeco Cable's service areas. Consumer demand for the Cogeco Cable high-speed Internet service continues to be strong, despite a $5 monthly rate increase introduced during the Summer of 2002.

In early September 2001, Cogeco Cable launched 50 new digital TV programming services to its digital customer base in Ontario. As of August 31, 2002, 27% of Ontario digital customers had subscribed to at least one new digital service, adding $10 to the average monthly revenue per subscribing digital service customer. Overall, the digital launch has been a success with the public.

During May 2002, the Quebec Division of Cogeco Cable launched the 28 most popular new English-language digital services. This was followed by the launch of four new French-language European services in early June 2002. The free three-month viewing period ended in September 2002. We believe that these services have positioned cable very positively in consumers' minds.

Despite these positive developments, the number of basic video service customers has decreased by 4.8% year over year. We have lost 15,941 or 6.2% of our basic service customers in Quebec, and 26,457 or 4.2% in Ontario. Fortunately, the trend points to fewer losses with each passing quarter, starting with 1.5% in the second quarter, 1.3% in the third and 1.0% in the fourth. High sales and promotion costs associated with a $20 rebate for each of the first five months of the Cogeco Cable high-speed Internet service were in line with prevailing market conditions in the Fall and Spring, and have caused the high-speed Internet service growth to essentially compensate for basic cable service revenue losses.

Basic analog service customer losses can be attributed to two root causes: the appeal of licensed Canadian DTH satellite services that are unnecessarily aggressively priced, particularly at Bell ExpressVu, and the growth of the "black market" in Canada for the theft of both US–based and Canadian DTH satellite services. We estimate that licensed Canadian DTH satellite services continue to lose collectively around $240 million in operating income before depreciation and amortization per year and, at current prices, with growing customer acquisition costs, will likely never reach break-even, much less provide a return on the capital invested by their operators. We can only hope that these operators will eventually be forced to adopt more realistic pricing and customer acquisition cost structures. Illegitimate satellite services are 90% "black market" based, according to management's estimates. Further to the favorable ruling by the Supreme Court of Canada on April 26, 2002 there appears to be an increasing trend away from US-based pirated systems towards the theft of Canadian satellite signals in the "black market"segment, with the program services offered being either totally or partially stolen.

Despite its positive contribution to society, the Internet has brought with it the perception that music and movies can be enjoyed for free without due regard for intellectual property. It would seem that this unrealistic expectation has spilled over to satellite programming. Cogeco Cable is a member of the Canadian Alliance Against Satellite Theft dedicated to the protection of program rights in Canada. At this stage, the Film and Video Security Office has taken concrete actions in various Canadian cities to curb the activities of distributors who produce and sell illegal decoder cards. The number of prosecutions will likely increase, and this form of reception will be increasingly difficult for "black market"consumers to enjoy, as improved system controls and signal security measures are implemented by satellite operators.

Subscriptions to the Cogeco Cable digital service have increased by an impressive 35% compared to last year, and now total 129,798 customers. Digital service customers thus enjoy the flexibility to choose programming of their liking among an increased selection of bundled channel offerings or à la carte selections. This service has been available to 100% of our Ontario customers and, further to an intensive network upgrade in Quebec, will have been extended to approximately 95% of our Quebec customers by the end of November 2002, up from 70% last year. As always, customer reception has been enthusiastic as reflected by good take-up rates. Currently, 16.5% of basic video service customers in areas where the service is available subscribe to the digital service. This will likely increase following the introduction of our new Video-On-Demand (VOD) and Interactive Television (iTV) services, currently at various stages of introduction, both of which rely on the Motorola DCT 2000 platform currently installed at Cogeco Cable.

The Cogeco Cable VOD service, which is supported by Concurrent Computer Corporation servers, is currently being introduced in various Quebec and Ontario systems, and is being very well received by customers. By the end of calendar 2003, the service will be available to a high percentage of our basic service customer base. Negotiating program rights with the US Majors (motion picture studios) has proven to be a challenge. Nonetheless, by November 2002, there will be in excess of 100 titles available to our customers, with increasingly appealing titles expected to be added as the commercial roll-out of the service continues. True VOD is exclusive to cable, and management is hopeful that the genuine added value of this service will win back customers who have defected. There are no monthly fees associated with the service, only per movie-related fees, typically around $5.49 per movie, with a 24-hour viewing window, as well as the ability to pause, fast-forward and rewind, similar to a home video player.

The Cogeco Cable iTV service will be launched in selected Cogeco Cable markets in early 2003. The service will be a stimulating addition to the digital service and, as with VOD , is exclusive to cable riding on the existing digital cable platform. A walled garden environment, e-mail, chatting, web access and games will be available in a tiered environment at affordable monthly prices.

In an effort to enhance our performance in the current fiercely competitive broadband distribution environment, Cogeco Cable changed its corporate marketing structure in March 2002 and created the corporate position of Vice-president, Marketing and Sales. Also, Cogeco Cable has selected Ogilvy & Mather/Académie-Ogilvy as its new, unified advertising agency, effective May 29, 2002. The resulting change in communications focus, tone and reach can currently be felt in all of Cogeco Cable's communications. The setting of strategy and quality of execution are now more closely aligned to market dynamics across all regions.

Thus, in a challenging and competitive environment, Cogeco Cable is managing to increase its competitiveness through renewed marketing approaches, further cable system upgrades, new cable exclusive product launches and continued sales of exciting existing products. In so doing, Cogeco Cable has sought to bring the sum of capital expenditures and deferred charges closer to Cash Flow(1). The excess of capital expenditures and deferred charges over Cash Flow has been trimmed down to $37,3 million in fiscal year 2001–2002. The sum of capital expenditures and deferred charges will equal Cash Flow in 2002-2003. Growing Free Cash Flow(1) will likely be generated in subsequent years. This excludes any capital expenditures related to telephony. As of August 31, 2002, the ratio of indebtedness/operating income before depreciation and amortization stood at 4.9, a reasonable level.

On November 1, 2001, Cogeco Cable secured a private debt placement of CDN $414 million with a group of US financial institutions. This has brought further strength and diversity to the balance sheet of Cogeco Cable, with ample bank credits available for acquisitions should the right candidates and circumstances present themselves.

During the year, management has also focussed its attention on carefully reviewing its operating procedures and processes, procurement efforts, expenditures and pricing levels. Despite programming cost increases amounting to about 1% of sales, we managed to decrease operating expenditures by 2% of sales through tight operating cost controls and, as a result, the operating margin before depreciation and amortization has improved by 1% to reach 37.6%.

COGECO Inc. holds approximately 39% of the equity and a majority voting interest in Cogeco Cable. Cable companies in general and Cogeco Cable in particular, continue to be severely undervalued by equity markets, which have been troubled by issues that are not specific to the communications sector. COGECO Inc. has been impacted by concerns about the technology sector, to which neither broadcasting nor cable belong. Market values have been negatively impacted by the crisis of confidence in corporate governance.

In that regard, we are pleased to state that the Governance Committee, created in February 2002, has confirmed that corporate governance within the COGECO group of companies has high standards. In the same vein, the Audit Committee is satisfied that accounting practices within the COGECO group of companies are transparent and generally conservative in nature.

With clear market positionings, COGECO's radio and television assets continue to expand. Existing broadcasting properties are net cash generators with yet ample room to grow sales and profits in imaginative ways. On the cable side, Cogeco Cable is well advanced in the upgrade of its cable systems, with close to 86% of its customers being served through two-way plant. Cogeco Cable is currently launching cable exclusive products such as VOD and iTV, which enable it to differentiate itself from, and clearly surpass in breadth and quality, the product offerings of competitors. These accomplishments reflect the superior quality of Cogeco Cable's platform, capable of distributing a full suite of interactive communication services. This clearly confirms the excellent value of COGECO Inc. as a sound long-term investment vehicle.

We wish to thank the members of the Board of Directors who provide sound guidance and oversight to COGECO, and have enabled the Company to capitalize on unique opportunities and prepare it for the challenges that lie ahead.

We also wish to express our gratitude to the management and staff of COGECO who continue to devote their efforts to building value for shareholders through the creation of enhanced products to better serve our customers and the public.

Maurice Myrand
Chairman of the Board

Louis Audet
President and Chief Executive Officer

October 25, 2002

(1) The Company defines "Cash Flow" as cash flow from operating activities before unusual items and changes in non-cash working capital items, and "Free Cash Flow" as excess of Cash Flow over the sum of capital expenditures and deferred charges.

Management's
Discussion and Analysis

The following presents a more in-depth analysis of the Company's operations and current financial position, as well as a perspective on the future. This analysis should be read in conjunction with the Company's consolidated financial statements, which start on page 23 and the selected quarterly information on page 41.

Certain statements throughout these pages may constitute forward-looking statements that involve risks and uncertainties. Future results will be affected by a number of factors pertaining to technology, markets, competition and regulation including those described in the uncertainties and main risk factors section of this management's discussion and analysis. Therefore, actual results may be materially different from those expressed or implied by such forward-looking statements.

This section gives an overview of each of COGECO's two operational sectors. The first of these is the cable sector, which refers to COGECO's 39.4% owned subsidiary, Cogeco Cable Inc. This is followed by the media sector, represented by wholly owned subsidiary Cogeco Radio-Television Inc. (CRTI). On February 15, 2002, Cogeco Radio-Television and Bell Globemedia Inc. completed their joint acquisition of Quebecor's 86% interest in the TQS television network and stations (TQS acquisition). The new venture, with a 60% proprietary interest by CRTI and 40% by Bell Globemedia, regroups the TQS network, TQS stations in Montreal, Quebec City, its repeater station in Rimouski as well as CRTI's six stations in Sherbrooke, Trois-Rivières and Saguenay. COGECO has transferred to the new entity its six television stations, its interest of approximately 13% in TQS and $3.2 million in cash for a total consideration of $107.6 million. It should be noted that the media sector activities are focused on radio and television broadcasting.

Discussion on the Achievement of our Key Financial Objectives

Cable Sector

Cogeco Cable achieved a 2.1% revenue growth, mainly owing to the full-year impact in revenue of acquisitions during fiscal year 2001. The cable sector achieved an increase in revenue from continued growth in customers with high-speed Internet and digital services and rate increases implemented during fiscal years 2001 and 2002. As of August 31, 2002, Cogeco Cable served 158,192 high-speed Internet customers, surpassing its original target of 148,000. With 144,950 digital terminals, Cogeco Cable also exceeded its original target of 130,000. However, this growth was mostly offset by a decline in revenue from the loss of basic and extented tier customers as well as promotions and price reductions. As of August 31, 2002, Cogeco Cable was serving 836,368 basic service customers, of which 71% were located in Ontario and 29% in Quebec. This translates into a loss of 4.8% of Cogeco Cable's basic service customer base since the end of fiscal year 2001. These losses have mostly been the result of greater than anticipated competitive pressures from direct-to-home satellite providers, which have made significant investments to build market share, and from "black market" US and Canadian satellite use. Consequently, Cogeco Cable fell short of its original revenue growth target.

Cogeco Cable's operating margin before depreciation and amortization increased from 36.6% in fiscal year 2001 to 37.6% for fiscal year 2002. This improvement is due to cost reduction initiatives in fiscal years 2001 and 2002, and ongoing process improvements. Although a margin of 38.5% was planned, the increase was an achievement considering the slower revenue growth during fiscal year 2002.

The cable sector continued its vast network modernization program with the result that 86% of households are currently served by two-way broadband cable plant. During fiscal year 2002, investments were made in high-speed Internet and digital technology niches, including VOD. During the first quarter of fiscal year 2002, Cogeco Cable completed the transition of its high-speed Internet service to provide a fully independent service for its Ontario customers, ending its relationship with Excite@Home™. Consequently, Cogeco Cable now serves all of its high-speed Internet customers independently.

During fiscal year 2002, the $122.1 million capital expenditure program, less than originally planned, was mostly financed through $111.2 million of Cash Flow (the Company defines "Cash Flow" as cash flow from operating activities before unusual items and changes in non-cash working capital items). The balance was financed from existing bank credit facilities. Due to lower than expected revenue growth, Cogeco Cable slightly missed its original target of funding its capital expenditures solely from Cash Flow. Depreciation of fixed assets, amortization of deferred charges, and financial expense were essentially in line with original targets.

In 2001–2002, Cogeco Cable continued to maintain a conservative capital structure while diversifying its sources of funding. On November 1, 2001, Cogeco Cable completed, pursuant to a private placement, the issue of two series of Senior Secured Notes for total net proceeds of CDN $410 million, which were applied to reduce Cogeco Cable's bank debt. Cogeco Cable's obligations under the US$ denominated series were fully hedged through cross-currency swap agreements.

Media Sector

In 2001–2002, media sector revenue increased by 109.8% resulting from the recent TQS acquisition and organic growth. The media sector met its organic revenue growth target by achieving growth of 8.3 %, fuelled by the continuing strong market shares of its asset portfolio. However, operating margin before depreciation and amortization decreased from 30.8% in fiscal year 2001 to 19.9% in fiscal year 2002, due to the lower margins of the TQS network recently acquired.

Operating Results

The Company's revenue totaled $532.0 million, an increase of $53.2 million or 11.1%. This growth was due to an increase in revenue of $9.2 million (2.1%) in the cable sector, and $44.0 million (109.8%) in the media sector.

The increase in revenue from the cable sector is attributable to the acquisition of cable systems contributing an additional $9.7 million or 2.2% in fiscal year 2002, while internal revenue losses exceeded internal revenue gains by $0.5 million or 0.1%. The internal revenue loss is related to basic and extended tier customer losses, to aggressive promotions, to certain price reductions and to a decline of equipment rental revenue. These elements offset growth from improved penetration of high-speed Internet and digital services as well as from rate increases during fiscal years 2001 and 2002. In the media sector, the revenue increase is explained by the recent TQS acquisition and organic revenue growth fuelled by increases in advertising sales and the strong market shares of the media portfolio.

Operating costs amounted to $344.7 million in 2001–2002, compared to $304.5 million in 2000–2001. With respect to operating income before depreciation and amortization, it went from $174.3 million in fiscal year 2001, to $187.3 million in fiscal year 2002, an increase of 7.5%.

As a result of the adoption by the Company of the new accounting requirements of the Canadian Institute of Chartered Accountants (CICA), the broadcasting licences and the customer base ceased to be amortized effective September 1, 2001. Amortization of the broadcasting licences and the customer base amounted to $11.4 million ($4.4 million after taxes and non-controlling interest) during fiscal year 2001. The new recommendations also require that the Company review its intangible assets for impairment as of the date of adoption of the new recommendations, and at least annually in subsequent periods. Management has completed its review, which indicates that intangible assets are not impaired as at August 31, 2002.

Depreciation and amortization rose by 3.5%, from $95.0 million to $98.3 million in 2001–2002 (excluding amortization of the customer base and broadcasting licences in 2001, depreciation and amortization increased by 17.6% in 2002). Four factors are responsible for the growth in depreciation and amortization expense: firstly, the cable network modernization program; secondly, the capital expenditures related to high-speed Internet and digital services; thirdly, higher deferred charges principally resulting from subsidies on sales of digital terminals during fiscal year 2002; and lastly, cable system acquisitions during fiscal year 2001. Capital expenditures totaled $127.0 million, compared to $167.8 million in 2000–2001. As for financial expense, it rose by 10.1%, from $55.2 million to $60.8 million in 2001–2002. The increase in financial expense was driven by the acquisition of cable systems in fiscal year 2001, the higher average interest rate on the cable side and the cost to finance the portion of capital expenditures and deferred charges exceeding Cash Flow.

In 2001–2002, unusual items amounted to a net gain of $23.3 million before taxes, mainly attributable to the media sector. The unusual item stemmed from a gain on dilution further to the TQS acquisition of $34.4 million before taxes, from a charge of $5.5 million before taxes recorded by COGECO as a result of staff reductions and from the write-off in the Stornoway investment. The Company decided to write off its $5.7 million minority investment in Stornoway Communications because of the disappointing audience results achieved by I Channel and BPM: The Dance Channel. In 2000–2001, an unusual gain amounting to $30.3 million before taxes was realized from Cogeco Cable's issuance of 6.3 million subordinate voting shares, partly offset by the write-off in its Internet Protocol (IP) telephony investment and other assets.

Income taxes for fiscal 2002 amounted to $8.3 million. Effective September 1, 2000, the Company implemented new CICA recommendations related to income taxes and as a result of a reduction in future taxe rate, recorded a reduction in future income taxes of $24.3 million in fiscal year 2001. Excluding the effect of the adjustment in accounting policy, income taxes in fiscal year 2001 amounted to $5.9 million.

In fiscal year 2002, net income amounted to $40.4 million, or $2.49 per share, compared to $69.4 million or $4.28 per share in fiscal year 2001.

Financial and Operational Review by Sector

Cable Sector

With approximately 836,400 basic service customers as of August 31, 2002, Cogeco Cable remains the second largest cable operator in both Ontario and Quebec and the fourth largest in Canada.

71% of Cogeco Cable's basic service customers are located in Ontario and 29% in Quebec. In 2001–2002 there were no acquisitions of cable systems. A loss of 4.8% of basic service customers is related to the increasingly competitive environment in which the cable sector operates.

Cable Sector

Years Ended August 31,

(in thousands of dollars, except for profitability ratios) (1)

	2002	2001	2000	1999	1998
Revenue	**$ 447,984**	$ 438,768	$ 371,231	$ 325,367	$ 286,858
Operating income before depreciation and amortization	**168,346**	160,509	140,051	138,796	126,697
Depreciation and amortization	**95,073**	92,080	64,594	49,900	42,050
Operating income	**73,273**	68,429	75,457	88,896	84,647
Capital expenditures	**122,105**	166,369	176,633	136,440	80,081
Net assets employed	**1,719,063**	1,682,687	1,298,823	1,004,772	951,649
Operating margin before depreciation and amortization	**37.6%**	36.6%	37.7%	42.7%	44.2%
Operating income before depreciation and amortization/ Average net assets employed	**9.9**	10.8	12.2	14.2	14.3
Operating margin	**16.4**	15.6	20.3	27.3	29.5
Operating income/ Average net assets employed	**4.3**	4.6	6.6	9.1	9.6

(1) To determine the sector's normalized contribution, unusual items are not included in the above table

Financial Results

Revenue

Cogeco Cable's revenue totaled $448.0 million, an increase of $9.2 million or 2.1%. Growth of approximately $9.7 million relates to the acquisitions completed during the first semester of fiscal year 2001, while internal revenue losses exceeded internal revenue gains by $0.5 million.

As discussed below, improvement in the penetration of high-speed Internet service and of services such as Pay-TV and the 50 new digital TV programming services, as well as various rate increase, generated internal revenue growth of $33.8 million:

- The impact of the increase in high-speed Internet customers during fiscal years 2001 and 2002 generated incremental revenue of approximately $21.6 million over fiscal year 2001. The addition of more than 50,000 new high-speed Internet customers during fiscal year 2002 contributed approximately $12.8 million to this growth. The balance was the result of the full-year impact of the net gain of over 36,000 high-speed Internet customers during fiscal year 2001.

- Penetration of customers subscribing to Pay-TV service, as a percentage of basic service customers, has improved during 2001-2002 reaching 13.9% as of August 31, 2002. In addition, the 50 new digital TV programming services launched in Ontario, in early September 2001, reached a penetration of 27% of digital service customers at the end of fiscal year 2002. The new digital technology is already showing promising signs of generating incremental revenue, adding approximately $4.9 million compared to 2000-2001.

- The impact of various rate increases during fiscal years 2001 and 2002 created incremental revenue of $7.3 million. In March 2001, monthly rate increases were implemented, ranging from $2 to $3 per customer for discretionary tiers and most service bundles offered in Ontario. In addition, a $5 monthly rate increase for high-speed Internet customers in Ontario and Quebec was introduced during the second semester of fiscal year 2002. A price increase of approximately $2.50 per month for its basic service was implemented for the Quebec customer base, taking advantage of authorized rate deregulation, and reducing its sole discretionary tier by the same amount. Consequently, customers taking only basic service were affected. The basic service rate increase had very little impact since introduced at the end of fiscal year 2002.

The internal growth detailed above, was largely offset by an internal revenue loss of $34.3 million, of which $24.9 million relates to basic and extended tier customer losses, to aggressive promotions, to certain price reductions, and to a decline of equipment rental revenue. Various other sources contributed an additional $9.4 million to the total internal revenue loss.

- The loss of basic and extended tier customers in fiscal years 2001 and 2002 had a negative impact of $16.4 million on revenue. The loss of over 42,000 customers taking basic or basic and extended tiers, during fiscal 2002, led to an $8.1 million decline in revenue, while the full year impact of a net loss of over 22,000 customers taking basic or basic and extended tiers, during fiscal year 2001, reduced revenue by a further $8.3 million.

- The total internal revenue loss from promotions or price reductions amounted to $6.6 million in fiscal 2002. Since the beginning of fiscal year 2002, to maintain its competitive position in Ontario and Quebec, Cogeco Cable has offered monthly promotional rebates to its new high-speed Internet customers. These ranged from a total of $40 to $120 per new customer during the various promotional periods compared to $40 per new customer in the prior fiscal year. In addition, Cogeco Cable offered programming credits of up to $100 per new digital customer buying a digital terminal. Temporary $2 price reductions on certain discretionary tiers in Ontario and permanent $1 monthly rate reductions that benefited some bundle customers were also introduced to improve customer retention.

- During the third quarter of fiscal year 2001, Cogeco Cable introduced a digital decoder sales program. This program became more aggressive in September 2001 and offered promotions with selling prices as low as $59.99, without programming credits. As of August 31, 2002, 62% of decoders in service were purchased, compared to 20% last year, and as a result, rental revenue has decreased by $1.9 million during 2001-2002.

Average monthly revenue per basic service customer increased from $41.78 in 2000-2001 to $43.57 in 2001-2002, a 4.3% increase. Most of this increase resulted from improved penetration of high-speed Internet and digital services.

Operating costs

Network fees, shown as a percentage of revenue, increased in 2001–2002, resulting from program supplier fee increases and from the introduction of new digital channels with lower margins. Average monthly network fees per basic service customer went from $12.82 in 2000–2001 to $13.82 in 2001–2002 resulting in a net increase of $1 per basic service customer. The following factors explain this increase: program supplier fee increases, the increased number of customers subscribing to product bundling, the launch of ARTV (a new tier channel in Quebec) and the launch of 50 specialty channels available on the Ontario digital product offering. The savings related to the cancellation of Excite@Home™ royalties, as Cogeco Cable became a fully integrated service provider in Ontario, partially offset the above mentionned increases.

On November 16, 2001, Cogeco Cable completed the transition of its high-speed Internet service in Ontario to become a fully integrated service provider, and ceased to do business with Excite@Home™, which was in financial difficulty. For fiscal year 2002, the net cost savings from the transition have had the effect of increasing operating income before depreciation and amortization by $2.4 million. During the fourth quarter of fiscal year 2002, the monthly increase in operating income before depreciation and amortization per high-speed Internet customer amounted to an average of $2.72.

Other operating costs, expressed as a percentage of revenue, declined in 2001–2002. The decrease in other operating costs is the result of an overall cost reduction plan started in the second quarter of fiscal year 2001. Cogeco Cable further reduced its staff by approximately 100 full-time employees during the first quarter of fiscal year 2002, which has led to significant cost reductions.

Management fees to COGECO Inc. represented approximately 1.7% of revenue in fiscal year 2002, unchanged from fiscal year 2001. For fiscal year 2003, management expects these fees to be indexed, based on the Consumer Price Index, and to represent a marginally smaller proportion of revenue.

Operating Costs
include the following:
(in millions of dollars)

	2002	% of revenue	2001	% of revenue
Network fees	**$142.1**	**31.7%**	$134.7	30.7%
Other operating costs	**129.8**	**29.0**	136.1	31.0
Management fees	**7.7**	**1.7**	7.5	1.7
Total	**$279.6**	**62.4%**	$278.3	63.4%

Operating Income before Depreciation and Amortization

Operating income before depreciation and amortization totaled $168.3 million, an increase of $7.8 million or 4.9 %. The operating margin before depreciation and amortization increased from 36.6% to 37.6%. The increase is the result of Cogeco Cable's cost reduction initiatives.

Media Sector

Television stations CKTM-TV Trois-Rivières, CKSH-TV Sherbrooke and CKTV-TV Saguenay are affiliated with Société Radio-Canada (SRC), the Canadian Broadcasting Corporation's French network, while stations CFKM-TV Trois-Rivières, CFKS-TV Sherbrooke, CFRS-TV Saguenay, CFJP-TV Montreal, CFAP-TV Quebec and CJPC-TV Rimouski are operated as part of the TQS network. The affiliation agreement for the three television stations affiliated with SRC was renewed in fiscal year 2002 binding the parties until 2008. Radio station 105.7 RYTHME FM covers the Greater Montreal area, while CJMF-FM 93.3 covers the Quebec City region. Based on the popularity of the RYTHME FM concept, CRTI has filed for new licences to operate RYTHME FM stations in Quebec City, Trois-Rivières, Sherbrooke and Saguenay. So far, the CRTC has granted the Quebec licence to CRTI during fiscal year 2002, and the company expects the new station to begin broadcasting in early September 2003. The public hearings for the other stations are scheduled for February 2003.

Media Sector
Years ended August 31,
(in thousands of dollars, except for profitability ratios)[1]

	2002	2001	2000	1999	1998
Revenue	**$ 84,014**	$ 40,046	$ 37,207	$ 33,508	$ 29,274
Operating income before depreciation and amortization	**16,753**	12,319	9,650	7,867	7,113
Depreciation and amortization	**3,038**	2,516	2,461	2,108	1,717
Operating income	**13,715**	9,803	7,189	5,759	5,396
Capital expenditures	**4,935**	1,385	1,720	1,720	2,804
Net assets employed	**113,363**	35,970	34,352	35,529	32,558
Operating margin before depreciation and amortization	**19.9%**	30.8%	25.9%	23.5%	24.3%
Operating income before depreciation and amortization/ Average net assets employed	**22.4**	35.0	27.6	23.1	22.2
Operating margin	**16.3**	24.5	19.3	17.2	18.4
Operating income/ Average net assets employed	**18.4**	27.9	20.6	16.9	16.9

(1) To determine the sector's normalized contribution, unusual items are not included in the above table.

Financial Results

Media sector revenue totaled $84.0 million, an increase of $44.0 million, or 109.8%. This increase is attributable to the TQS acquisition and improved radio and television advertising sales while maintaining its market share. Confirmed by the spring BBM audience ratings measurements, CJMF-FM in Quebec City achieved the third place ranking, while 105.7 RYTHME FM in Montreal maintained its second place ranking among listeners in the 25-54 age group. TQS continues to obtain a remarkable market share of the 18 to 49 adult age group, claiming second place with an estimated 15.7% of the market, according to Nielsen for fiscal year 2002.

Operating costs rose by 143.0%, moving from $27.7 million in 2000–2001 to $67.3 million in 2001–2002, a result of the TQS acquisition. Operating income before depreciation and amortization totaled $16.8 million, an increase of $4.4 million, or 36.0%. The operating margin before depreciation and amortization decreased from 30.8% in fiscal year 2001 to 19.9% in fiscal year 2002. The lower margin results from the impact of the recently acquired TQS network. Overall, the operating margins before depreciation and amortization of the radio and television assets currently in the Media Division's portfolio increased from fiscal year 2001, driven by revenue increases and operational synergies on the television side. Thus, on a pro forma basis, assuming the TQS acquisition had occurred at the beginning of fiscal year 2002, the media division achieved an increase in operating margin before depreciation and amortization.

Supplemental Discussion – Accounting for Stock Options

During fiscal year 2002, both Cogeco Cable and COGECO granted stock options. The Company early adopted the new CICA recommendations regarding stock-based compensation. As discussed in note 13 on page 36, COGECO has valued the granted options to provide the impact as if the value of these options would have been expensed. Accordingly, expensing the 161,909 options granted by Cogeco Cable and the 80,104 options granted by COGECO would have reduced COGECO's net income by $307,000 in fiscal year 2002.

In addition, TQS granted options that were fully expensed for a total amount of $618,000 for fiscal 2002.

Cash Flow

In fiscal year 2002, Cash Flow totaled $125.5 million, an increase of $10.1 million or 8.8% over fiscal year 2001. The impact of changes in non-cash working capital items amounted to a cash inflow of $12.6 million in fiscal year 2002, as compared to a cash outflow of $5.3 million in fiscal year 2001. Unusual items required a cash outflow of $4.9 million in fiscal year 2002, compared to unusual items requiring no cash outflow in fiscal year 2001. On a per share basis, Cash Flow increased from $7.12 in fiscal year 2001 to $7.73 in fiscal year 2002. The weighted average number of outstanding shares was 16.2 million in fiscal year 2002, stable compared to fiscal year 2001.

Cable System Acquisitions

During fiscal year 2002, the cable sector did not acquire any cable systems. In fiscal year 2001, the cable sector completed the acquisition of cable systems serving approximately 73,700 basic service customers in Ontario and 30,100 basic service customers in Quebec. The total purchase price for cable system acquisitions completed during 2000–2001 amounted to $226.1 million, and was financed by cash payments totaling $80.9 million and the issue of approximately 3.8 million subordinate voting shares.

Acquisition of the TQS Television Network in Partnership with Bell Globemedia

On February 15, 2002, CRTI and Bell Globemedia Inc. completed their joint acquisition of Quebecor's 86% interest in the TQS television network and stations. The new venture, with a 60% proprietary interest by CRTI and 40% by Bell Globemedia, regroups the TQS network, TQS stations in Montreal and Quebec City, its repeater station in Rimouski as well as CRTI's six stations in Sherbrooke, Trois-Rivières and Saguenay. COGECO has transferred to the new entity its six television stations, its interest of approximately 13% in TQS and $3.2 million in cash for a total consideration of $107.6 million. Bell Globemedia contributed $72.4 million in cash to complete the transaction. CRTC approval was obtained in December 2001. Following the completion of the TQS aquisition, the new venture further completed the acquisition of the remaining 1% of TQS, bringing the ownership level to 100%.

Capital Expenditures and Deferred Charges

The annual capital expenditure program decreased from $167.8 million in 2000–2001 to $127.0 million in 2001–2002. The decrease is mainly due to lower capital expenditures related to digital terminals, a significant portion of cable sector customers choosing to buy rather than lease their equipment. For 2002-2003, the Company intends to invest $113 million in its capital expenditure program, with $107 million being directed toward the cable sector.

Increase in deferred charges went from $1.5 million in fiscal year 2001 to $29.0 million in fiscal year 2002. $20.3 million of this increase relates to subsidies on digital terminals and other costs incurred in order to expand customer base. The balance relates to costs from the issuance of two Senior Secured Notes by Cogeco Cable, from the amendment to the Term Facilities and from the introduction of new digital services.

Financing

In the second quarter of fiscal year 2002, COGECO amended and restated its Term Facility and operating line of credit. The new facility is renewable annually at COGECO's request and at the lenders' approval, and is convertible to a two-year term loan. It is secured by certain assets of the Company and certain subsidiaries, through a first fixed and floating charge.

On November 1, 2001, the cable sector completed, pursuant to a private placement, the issue of 6.83% Series A Senior Secured Notes for US $150 million maturing October 31, 2008, and 7.73% Series B Senior Secured Notes for CDN $175 million maturing October 31, 2011. In addition, the cable sector completed cross-currency swap agreements to fully hedge its financial obligations with respect to the US denominated Series A Senior Secured Notes. Taking into consideration the cross-currency swap agreements, the interest rate effectively incurred by Cogeco Cable for the Series A Senior Secured Notes is 7.254%. Net proceeds of CDN $410 million, after underwriters' fees and other expenses, were applied to reduce the cable sector's bank debt.

At its request and in light of the successful completion of the private placement mentioned above, the cable sector amended its Term Facility during the fourth quarter of fiscal year 2002. The changes resulted in a reduction of the total commitment from $585 million to $400 million. The amendment also provides Cogeco Cable with more financial flexibility, while the maturity of the facility and future reduction of commitment levels remain unchanged.

In 2001–2002, the Company paid a dividend of $0.21 per share, the same amount as in 2000–2001. This amount is equivalent to a quarterly dividend of $0.0525, payable to holders of subordinate voting shares and to holders of multiple voting shares.

On October 1, 2001, the Company announced its intention to proceed with an issuer bid in the normal course of business, for the buy-back of a maximum of 250,000 subordinate voting shares, representing less than 1.8% of the issued and outstanding shares in this class. In 2001–2002, the Company purchased and cancelled 300 subordinate voting shares.

Capital Structure

As at August 31, 2002, shareholders' equity amounted to $343.0 million, compared to $305.8 million a year ago. As at August 31, 2002, the Company's total indebtedness, net of cash and cash equivalents ("Net Indebtedness"), was $855.8 million, compared to $821.0 million at the same date last year. The increase in Net Indebtedness is mostly attributable to the cable sector and is mainly explained by the sum of capital expenditures and deferred charges exceeding Cash Flow. As at August 31, 2002, the weighted average interest rate on the fixed rate portion was 7.5%, which was higher than the 7.2% at the same date last year due to a higher average interest rate in the cable sector following the issue of Senior Secured Notes.

Management of Cogeco Cable intends to maintain a conservative capital structure, in order to safeguard its investment-grade credit rating. This rating allows quick access to the debt market at favorable interest rates in order to finance internal and external growth opportunities.

The Company has a $40.0 million Term Facility and a $5.0 million operating line of credit extended by a group of financial institutions. These bank facilities are mainly used to answer the financial needs of the media sector. The cable sector benefits from a $400.0 million Term Facility and a $25.0 million operating line of credit with a number of financial institutions. The credit facilities in the cable sector are not guaranteed by the Company. As at August 31, 2002, COGECO Inc. had drawn $19.0 million of its Term Facility, and Cogeco Cable, $129.0 million. The Company is on schedule with financial expense payments, principal repayments on its borrowing, and satisfies the various conditions stipulated in its financing agreements.

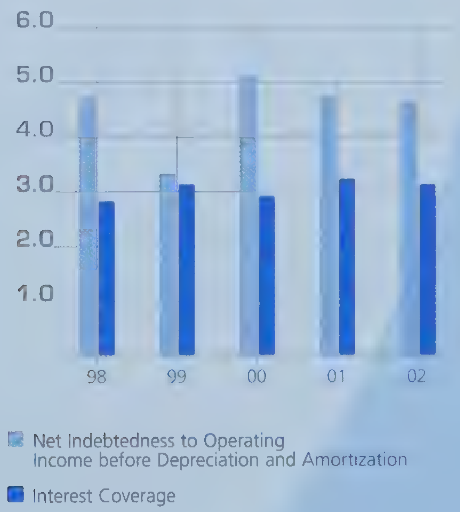
Capital Structure

August 31	2002	2001
Fixed rate debt [1]	**82%**	59%
Average term : long-term debt	**6.3 years**	4.9 years
Net indebtedness / Shareholders' equity	**2.5**	2.7
Net indebtedness / Operating income before depreciation and amortization [2]	**4.6**	4.7
Operating income before depreciation and amortization / Financial expense [2]	**3.1**	3.2

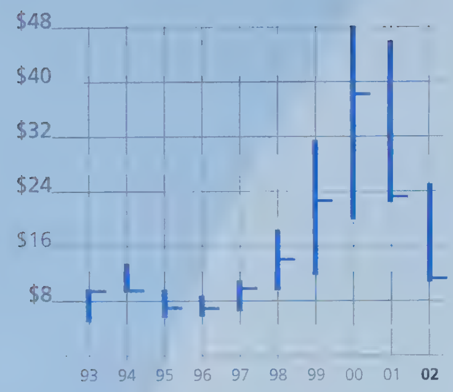
(1) The interest rate is fixed through financial instruments and long-term loans.

(2) Operating income before depreciation and amortization is a decisive indicator of the Company's capacity to finance its recurring operations on the one hand, and service its debt on the other.

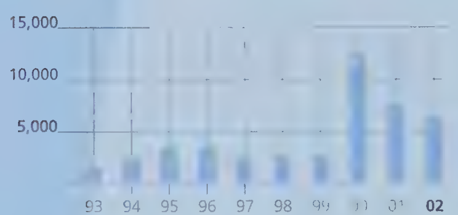
Leverage and Interest Coverage Ratio
(ratios)



Trading Statistics
Years ended August 31,

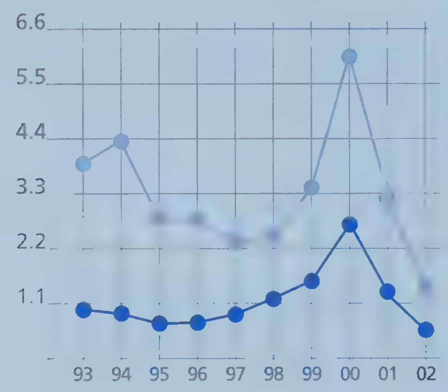


Trading of Subordinate Voting Shares
(The Toronto Stock Exchange)
(in dollars)



Trading Volume of Subordinate Voting Shares
(The Toronto Stock Exchange)
(in thousands of shares)

Share Price/Cash Flow and Share Price/Shareholders' Equity
Years ended August 31,



Share Price/Cash Flow
Share Price/Shareholders' Equity

Subordinate Voting Share Price and Ratios
Years ended August 31,
(in dollars, except ratios)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	**2002**
Subordinate voting share price at close	$9.38	$9.38	$6.63	$6.70	$9.60	$13.65	$22.25	$37.95	$22.95	**$11.00**
Per share										
Cash Flow	2.36	2.14	2.34	2.39	4.18	5.61	6.45	6.29	7.12	**7.73**
Shareholders' equity	9.20	9.58	9.75	9.64	10.74	11.77	14.80	15.05	18.84	**21.10**
Ratios										
Share Price/Cash Flow	4.0	4.4	2.8	2.8	2.3	2.4	3.4	6.0	3.2	**1.4**
Share Price/ Shareholders' equity	1.0	1.0	0.7	0.7	0.9	1.2	1.5	2.5	1.2	**0.5**

Forward-Looking Financial Expectations

The forward-looking statements below involve risks and uncertainties. Future results will be affected by a number of factors pertaining to technology, markets, competition and regulation including those described in the uncertainties and main risk factors section of this management's discussion and analysis. Therefore, actual results may be materially different from those expressed or implied by such forward-looking statements.

Cable Sector

The loss in basic cable customers should be more modest in fiscal year 2003, as Cogeco Cable will have completed its digital rollout in Quebec to 95% of homes passed by the end of November 2002, from 85% of homes passed as of August 31, 2002. Progressive improvements to Cogeco Cable's marketing strategy will also contribute to lessen customer loss. The increased subscriptions for bundled services, as well as the upcoming launch of VOD and iTV, will further improve customer retention and make cable services a more competitive offering as a whole. However, the strength of the competition in the regions served by Cogeco Cable could compromise the attainment of this objective. Based on current demand, the cable sector forecasts that it will add 55,000 high-speed Internet customers and 25,000 digital terminals by August 31, 2003.

In fiscal year 2003, Cogeco Cable expects to achieve internal revenue growth of 5%. Internal revenue growth should stem mainly from the 2002 rate increases for the high-speed Internet service and Quebec basic service, from the growth in penetration of high-speed Internet and digital services, and from the introduction of VOD and iTV services. Cogeco Cable expects to achieve 6% growth in operating income before depreciation and amortization by maintaining tight control over expenses and by continuing with its process improvement initiatives.

In fiscal year 2003, Cogeco Cable expects that depreciation of fixed assets and amortization of deferred charges will increase by 10% over fiscal year 2002. This growth rate should be mainly the result of the relatively rapid depreciation of deferred charges related to customer subsidies, compared to other categories of fixed assets, and of the full-year impact of the depreciation of fixed assets acquired during the 2002 fiscal year. The deferred charges mostly relate to digital terminal subsidies as more customers are purchasing digital terminals. In fiscal year 2003, Cogeco Cable's management expects that capital expenditures and deferred charges will total $119 million, and that they will be financed by Cash Flow. Free Cash Flow[(1)] will be positive and growing thereafter.

Financial expense is expected to climb by 6% in fiscal year 2003 due to the following: the higher average interest rate on Senior Secured Notes issued on November 1, 2001 and the increases in interest rates on the Term Facility.

Media Sector

In fiscal 2003, the media sector expects to realize a 50% growth in revenue, of which 44% should be realized from the full impact of the TQS acquisition and the balance from internal revenue growth. Operating margin before depreciation and amortization is expected to be at a 14% level, lower than the 2001–2002 figure, also attributable to the TQS acquisition. The regrouping of COGECO's television stations in Sherbrooke, Trois-Rivières and Saguenay, which have been constantly profitable over the years, with the TQS network will provide for operational synergies and will steadily improve the media sector margin from 2003-2004 and beyond.

(1) The Company defines "Free Cash Flow" as excess of Cash Flow over the sum of capital expenditures and deferred charges.

Uncertainties and Main Risk Factors

Corporate Factors

COGECO Inc., a diversified communications holding company, is controlled by Mr. Henri Audet and members of his family (the "Audet Family"). The Audet Family is in a position to cause the directors of each of COGECO and Cogeco Cable to be elected or removed from office. The Audet Family is also in a position to prevent a change of control of COGECO or Cogeco Cable, even though a change of control may be considered advantageous by other shareholders of either COGECO or Cogeco Cable. The Audet Family's outlook on the business activities and future prospects of COGECO or Cogeco Cable, and on the best strategies to further such activities and prospects, may on occasion differ from that of other shareholders. Subject to certain requirements under applicable corporate and securities law, and subject to financial covenants in effect, the Audet Family may influence the Board of Directors of COGECO or Cogeco Cable to decide on further issues of subordinate voting shares or issues of preference shares and thus cause, at least in terms of numbers of shares outstanding, a dilution of the equity position of existing shareholders of either COGECO or Cogeco Cable.

Financial Factors

The financial performance and business perspectives of COGECO are largely dependent on its subsidiary Cogeco Cable, which accounted for 84% of consolidated revenue, 90% of consolidated operating income before depreciation and amortization, and 9% of consolidated net income of COGECO for the 2001–2002 fiscal year. Also, in 2001–2002, Cogeco Cable paid $7.7 million in cash to COGECO in consideration for management services provided in accordance with the management services agreement in effect with COGECO since 1992.

The business activities of Cogeco Cable require substantial on-going investment of capital in property, plant and equipment. Cogeco Cable plans to continue investing in cable system capacity upgrades, two-way capability and additional equipment required to support the distribution of more video services, including digital television services, VOD and iTV services, as well as the further deployment of Internet and other broadband telecommunications services. While Cogeco Cable intends to schedule future investment in property, plant and equipment so as to bring annual capital expenditures generally in line with Cash Flow generated by the business, competitive pressures may require accelerated investment. Cash Flow generated by new services may not prove sufficient in the end to provide the expected return on the investment required to offer these services. The introduction of telephony services using the common cable plant has not taken place as originally planned. The impact of these new services on the capital requirements and financial performance of Cogeco Cable, if and when they are introduced, cannot be definitively assessed at this time.

Based on financial, market and other factors affecting the outlook for the cable industry in general and Cogeco Cable in particular, the current rating of Cogeco Cable's debt could be revised in the future by credit rating agencies from BBB– to a non-investment grade rating, thus raising the cost of future financing.

The consolidated revenue of Cogeco Radio-Television depends on audience ratings and the market for conventional radio and television advertising expenditures in the province of Quebec. Audience ratings may vary due to a number of factors, including on-air personalities, programming content and promotional activities. Advertising expenditures may vary due to a number of factors, including general economic and consumer retail market conditions and cycles.

Competitive and Market Factors

The markets for Cogeco Cable's broadcasting distribution and telecommunications services are highly competitive and dynamic. Competition for broadcasting distribution services comes mainly from the lawful reception of licensed Canadian direct-to-home satellite services, and from the unlawful reception of both licensed Canadian and unlicensed US satellite services. While the rate of erosion of Cogeco Cable's analog customer base has abated somewhat and its digital customer base has grown substantially in the past fiscal year, there is no assurance that these trends will endure in the future. The leading licensed Canadian satellite distributor, Bell ExpressVu, continues to aggressively pursue the acquisition of customers in cabled areas with a low pricing policy despite rising customer acquisition costs, diminishing average revenue per unit and a large cumulative loss. This low pricing policy is only possible, in our view, with the financial support of parent BCE Inc. and in the absence of meaningful competition for the local telephone services of its subsidiary Bell Canada. Cogeco Cable continues to evaluate the opportunity of offering competitive local and other telephone services within its cable service areas, but the parameters and timetable for such competitive entry are still subject to various technical, commercial, regulatory and other contingencies. Unlawful reception of satellite services continues to grow on account of a combination of inadequate signal security and enforcement measures. Competition for Internet and other broadband telecommunications services comes mainly from Bell Canada and Telus. Growth in high-speed Internet connections will continue to be split between cable and DSL connections, with more diversified transfer speeds and other service attributes being offered and Internet services being increasingly bundled with other services.

The programming services that Cogeco Cable distributes on its cable systems are increasingly controlled by large integrated communications entities. Also, the terms for the distribution of Canadian programming services are subject to a number of regulatory restrictions. This situation has caused in the past, and may continue to cause in the future, upward pressure on Cogeco Cable's network fees and lower operating margins as a result.

Buy rates and related returns from the VOD service will be influenced by the availability and cost of premium movie product yet to be licensed by a number of major film producers and distributors. Cogeco Cable is relying on Worldgate Interactive, Inc. for the interactive systems and much of the related content to be used for the deployment of its new interactive television services and on Concurrent Computer Corporation for its VOD systems and on Concurrent Computer Corporation for its VOD systems.

Communications technology is highly innovative and evolves very rapidly. While Cogeco Cable's plant is developed and maintained with currently available wireline technology and equipment so as to be fully competitive with systems that use different technologies, technological innovations may cause changes to occur in the competitive position of competing systems already deployed, or yet to be deployed.

Cogeco Radio-Television competes for audience and advertising revenue with other integrated broadcasting groups in the French-language market in Quebec. Although TQS has managed to increase its audience and market share in the last fiscal year, general interest network television continues to experience audience fragmentation from specialty television services, home video and other new media. Continued lack of satellite distribution causes further audience erosion for its regional television stations. The broadcasting subsidiary was recently awarded by the CRTC a much coveted new additional FM licence for the Quebec City market. Plans to compete more effectively with the Astral radio networks through a new commercial radio network with full coverage over the French-language market in Quebec depend on the licensing of additional FM stations by the CRTC.

Operational Factors

Cogeco Cable currently uses two different proprietary cable customer management systems for its Quebec and Ontario operations respectively. Demands on these information systems have increased substantially in the past few years and it has become increasingly difficult to manage the changes required by the diverse and rapidly changing cable service offerings in a highly competitive environment. Cogeco Cable is still considering a range of options for the development and integration of its cable customer management systems. The changes contemplated have potentially wide-reaching implications in terms of operating cost structure, productivity gains, competitiveness, integrated billing and customer relationship management. There is no assurance that existing agreements with customer information system providers can be extended with satisfactory terms and conditions beyond the next 18 months, or that more suitable or cost-effective systems can be effectively deployed in the alternative within the required timeframe.

During fiscal year 2002-2003, negotiations are expected to take place for the renewal of collective labour agreements covering most of Cogeco Cable's employees in the province of Quebec and Cogeco Radio-Television's employees in the Saguenay and Sherbrooke regions. Cogeco Cable and Cogeco Radio-Television consider their labour relations to be satisfactory. While Cogeco Cable and Cogeco Radio-Television do not anticipate any labour disruption, it is not possible, at this time, to assess the impact of these negotiations on operations or future operating costs.

Regulatory and Legal Factors

The broadcasting and telecommunications activities of Cogeco Cable and Cogeco Radio-Television are subject to varied and extensive regulatory requirements, mainly under the authority of federal statutes governing broadcasting, telecommunications, radiocommunication and copyright. Cogeco Cable's distribution systems and Cogeco Radio-Television's television and radio stations and networks are operated pursuant to licences issued by the CRTC, which are subject to renewals and various terms and conditions set by the regulatory agency. Regulatory policies evolve over time and may cause the competitive playing field and business prospects for individual market participants or properties to be materially different.

Judicial decisions on a number of issues affecting the cable industry in Canada are still pending, including the ability of the CRTC to set terms for the use of support structures of municipal electric utilities and access to municipal rights-of-way, copyright fees for content stored on cache servers in connection with Internet access services, and the unauthorized reception of satellite signals based on the Canadian Charter of Rights and Freedoms.

Consolidated Financial Statements

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Management's Responsibility

Related to Consolidated Financial Statements

The consolidated financial statements of COGECO Inc. and the financial information contained in this annual report are the responsibility of management. The financial statements include amounts determined by management based on estimates which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that in the financial statements.

In fulfilling its responsibilities, management of COGECO Inc. and its subsidiaries have developed and continue to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records are reliable for preparing the financial statements. The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Company and recommends their approval to the Board of Directors. The Committee periodically meets with management and the external auditors to discuss the results of the external and internal examinations and matters having an impact on financial information.

The external auditors appointed by the shareholders, Samson Bélair/Deloitte & Touche, Chartered Accountants, are responsible for making an independent examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and to issue an opinion on the statements. The external auditors have free access to the Audit Committee, with or without the presence of management. Their report follows.

Louis Audet
President and Chief Executive Officer

Pierre Gagné
Vice-President, Finance and Chief Financial Officer

Auditors' Report

To the Shareholders of COGECO Inc.

We have audited the consolidated balance sheets of COGECO Inc. as at August 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair
Deloitte & Touche.

Chartered accountants
Montreal, October 4, 2002

Consolidated Statements of Income

Years ended August 31
(in thousands of dollars, except per share data)

	2002	2001
Revenue	$ 531,998	$ 478,814
Operating costs	344,693	304,468
Operating income before depreciation and amortization	187,305	174,346
Depreciation and amortization (*note 4*)	98,263	95,006
Income before undernoted items	89,042	79,340
Unusual items (gain) (*note 5*)	(23,255)	(30,335)
Financial expense	60,816	55,225
Income before income taxes and the following items	51,481	54,450
Income taxes (recovery) (*note 6*)	8,292	(18,408)
Non-controlling interest	2,903	3,539
Share in the results of an affiliated company	(131)	(38)
Net income	$ 40,417	$ 69,357
Earnings per share (*note 14*)		
Basic	$ 2.49	$ 4.28
Diluted	2.46	4.20

Consolidated Statements of Retained Earnings

Years ended August 31
(in thousands of dollars)

	2002	2001
Balance at beginning	$ 191,487	$ 129,753
Changes in accounting policies	—	(4,222)
Net income	40,417	69,357
Excess of price paid over the attributed value of subordinate voting shares redeemed	(3)	—
Dividends on multiple voting shares	(388)	(394)
Dividends on subordinate voting shares	(3,022)	(3,007)
Balance at end	$ 228,491	$ 191,487

Consolidated Balance Sheets

As at August 31
(in thousands of dollars)

	2002	2001
Assets		
Fixed assets (*note 8*)	$ 782,981	$ 730,378
Deferred charges (*note 9*)	39,653	22,893
Broadcasting licenses and customer base (*note 10*)	1,042,498	1,019,132
Goodwill	27,925	—
Broadcasting rights	18,620	—
Cash and cash equivalents	—	2,155
Accounts receivable	64,934	53,167
Income tax receivable	9,986	3,271
Prepaid expenses	5,165	7,239
	$ 1,991,762	$ 1,838,235
Liabilities and Shareholder's equity		
Liabilities		
Bank indebtedness (*note 11*)	$ 4,644	$ —
Long-term debt and Term facilities (*note 12*)	846,358	823,121
Deferred credit	4,830	—
Accounts payable and accrued liabilities	131,968	87,953
Deferred and prepaid income	17,852	17,413
Future income tax liabilities (*note 6*)	169,997	171,853
Non-controlling interest	473,080	432,073
	1,648,729	1,532,413
Shareholders' equity		
Capital stock (*note 13*)	114,542	114,335
Retained earnings	228,491	191,487
	343,033	305,822
	$ 1,991,762	$ 1,838,235

On behalf of the Board of Directors

Maurice Myrand
Director

Henri P. Labelle
Director

Consolidated Statements of Cash Flow

Years ended August 31
(in thousands of dollars, except per share data)

	2002	2001
Cash flow from operating activities		
Net income	$ 40,417	$ 69,357
Unusual items net of related income taxes and non-controlling interest	(28,804)	(52,723)
Net income from recurring operations	11,613	16,634
Items not affecting cash and cash equivalents		
Depreciation and amortization (*note 4*)	98,263	95,006
Amortization of long-term financing costs	1,986	1,721
Future income taxes (*note 6*)	4,370	(24,709)
Future income taxes related to unusual items	3,480	9,776
Non-controlling interest	2,903	3,539
Portion of unusual items attributable to non-controlling interest	2,069	12,612
Other	777	784
Cash flow from operating activities before undernoted items	125,461	115,363
Unusual items	(4,925)	—
Change in non-cash working capital items (*note 16*)	12,640	(5,255)
	133,176	110,108
Cash flow from investing activities		
Acquisition of fixed assets (*note 16*)	(126,258)	(166,999)
Increase in deferred charges	(29,031)	(1,505)
Business acquisitions (*note 3*)	(66,571)	(80,855)
Other	463	(821)
	(221,397)	(250,180)
Cash flow from financing activities		
Increase in long-term debt	459,171	155,419
Repayment of long-term debt	(447,091)	(108,784)
Issue of subordinate voting shares	210	637
Purchase of subordinate voting shares for cancellation	(6)	—
Dividends on multiple voting shares	(388)	(394)
Dividends on subordinate voting shares	(3,022)	(3,007)
Issue of subordinate voting shares by a subsidiary to non-controlling interest, net of issue costs	132	96,129
Contribution from non-controlling interest of a subsidiary	72,416	—
Purchase of subordinate voting shares for cancellation by a subsidiary	—	(220)
Dividends paid by a subsidiary to non-controlling interest	—	(631)
	81,422	139,149
Net change in cash and cash equivalents	(6,799)	(923)
Cash and cash equivalents at beginning	2,155	3,078
Cash and cash equivalents at end	$ (4,644)	$ 2,155
Cash flow per share from operating activities before unusual items and changes in non-cash working capital items		
Basic	$ 7.73	$ 7.12
Diluted	7.63	6.98

See supplemental cash flow information in note 16.

Notes to Consolidated Financial Statements

Years ended August 31, 2002 and 2001

(amounts in tables are in thousands of dollars, except per share data)

1. Significant accounting policies

Nature of operations

COGECO Inc. (the "Company") is a Canadian public company whose shares are listed on the Toronto Stock Exchange. The Company is engaged in cable television services and high-speed Internet access through Cogeco Cable Inc. and in radio and television broadcasting through Cogeco Radio-Television Inc.

Consolidation principles

The consolidated financial statements include the accounts of the Company and its subsidiaries. Business acquisitions are accounted for under the purchase method and operating results are included in the consolidated financial statements as of the date of the acquisition of control. Other investments are recorded at cost, except for an investment of 32% in a general partnership, Canal Indigo, and an investment of 37.3% in Stornoway Communications Limited Partnership (see note 5), by Cogeco Radio-Television Inc. which are accounted for under the equity method.

Business segments and percentage in interest of the main subsidiaries are as follows:

Segments	Principal subsidiaries	Percentage of interest	Voting rights
Cable	Cogeco Cable Inc.	39.4%	86.7%
Media	Cogeco Radio-Television Inc.	100.0%	100.0%

Revenue recognition

Revenue generated from payments to television network affiliates, cable television and related services, and high-speed Internet access services, are recognized when services are provided. Advertising revenue is recognized when aired. Amounts received or invoiced that do not comply with these criteria are accounted as deferred and prepaid income.

Fixed assets

Fixed assets are recorded at cost. During construction of new assets, direct costs plus a portion of overhead costs are capitalized. Depreciation is provided on a straight-line method over the estimated useful lives on the following periods:

Buildings	20 to 40 years
Cable systems	15 years
Broadcasting and production equipment	5 to 20 years
Decoders, modems and customer's premise devices	7 years
Rolling stock under capital leases	5 years
Other equipment	5 years
Other	2 to 10 years

Deferred charges

Deferred charges primarily include new services launch costs, equipment subsidies and other costs incurred in order to expand customer base, and financing costs. These costs are amortized using the straight-line method, over a period not exceeding five years. Equipment subsidies and other costs incurred in order to expand customer base are amortized over a period of four years.

Goodwil

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill resulting from the purchase of business combinations is not amortized. The Company monitors its goodwill balances to determine whether any impairment of these assets has occurred. Where circumstances or events indicate a possible inability to recover the carrying amount of goodwill related to a business acquisition, the Company evaluates, on an undiscounted basis, the current and estimated cash flows of the underlying business which gave rise to the goodwill.

Income taxes

Income taxes are accounted for under the asset and liability method. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

1. Significant accounting policies (continued)

Employee future benefits

Pension costs are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method prorated on service. Pension expense is charged to operations and includes:

- the cost of pension benefits provided in exchange for employees' services rendered during the year;
- the amortization of prior service costs and amendments over the expected average remaining service life of the active employee group covered by the plans; and
- the interest cost of pension obligations, the return on pension fund assets, and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets over the expected average remaining service life of the active employee group covered by the plans.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments purchased three months or less from maturity.

Broadcasting rights

Broadcasting rights are contractual rights allowing limited broadcast of televisual products or movies, generally on a pre-determined period. These broadcasting rights are recorded at the time the agreement comes into effect and the product is ready for broadcast.

These rights are amortized upon broadcast based on the cost of televisual product or movie, using an amortization method based on future expected revenues. The value of broadcasting rights is reduced when impairment in value is recognized.

Derivative financial instruments

The Company's subsidiary, Cogeco Cable Inc., uses currency swap agreements as derivative financial instruments to manage risks from fluctuations in exchange rates related to its long-term debt. The Company accounts for the financial instrument, under the accrual method, as a hedge and, accordingly, the carrying value of the financial instrument is not adjusted to reflect its current market value. Net receipts or payments arising from the derivative instrument are recognized as financial expense.

Foreign currency translation

Assets and liabilities denominated in foreign currency are translated in Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Income and expenses are translated at average rates prevailing during the period. Amounts payable or receivable on currency swaps, all of which are used to hedge foreign currency debt obligations, are recorded concurrently with the unrealized gains and losses on the debt obligations being hedged. Other gains and losses are included in net income.

Barter transactions

In the normal course of its business, the Company's subsidiary, Cogeco Radio-Television Inc., enters into barter transactions under which goods and services are acquired in exchange for advertising. These goods and services, which would be otherwise payable in cash, are accounted for at their fair market value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and the revenues and expenses during the reporting year. Actual results could differ from these estimates.

2. Changes in accounting policies

Broadcasting licenses and customer base amortization

Effective September 1, 2001, the Company prospectively adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3062 "Goodwill and Other Intangible Assets". Under the new section, goodwill and intangible assets with a deemed indefinite life are no longer amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. As a result of adopting the new recommendations, the Company ceased to amortize its broadcasting licenses and customer base effective September 1, 2001. CICA Handbook section 3062 also requires the Company to perform a transitional assessment to determine whether there is an indication that intangible assets with an indefinite useful life are impaired as at the date of adoption of new rules. The Company completed its transitional assessment and concluded that no impairment existed as at September 1, 2001.

At August 31, 2002, management has determined that no impairment existed.

2. Changes in accounting policies (continued)

The following table shows the effect of applying the recommendations on net income and basic and diluted earnings per share for the year ended August 31, 2001:

Net income	$ 69,357
Amortization of broadcasting licenses and customer base, net of income taxes and non-controlling interest	4,440
Adjusted net income	$ 73,797
Earnings per share	$ 4.28
Amortization of broadcasting licenses and customer base per share, net of income taxes and non-controlling interest	0.27
Adjusted earnings per share basic	$ 4.55
Adjusted earnings per share diluted	$ 4.47

Stock-based compensation plans

On September 1, 2001, the Company early adopted the recommendations of CICA Handbook section 3870, "Stock-based Compensation and Other Stock-based Payments" which defines among other things recognition, measurement and disclosure standards for stock-based compensation to employees. The Company, as permitted by CICA Handbook section 3870, has chosen to continue to account for stock-based compensation by measuring compensation cost for employee stock options as the excess, if any, of the quoted market price of the subordinate voting shares at the date of grant over the amount an employee must pay to acquire these shares, and to include in its financial statements pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied. Any consideration paid by employees on exercise of stock options is credited to capital stock. The supplementary information required under the new recommendations is presented in note 13.

Foreign currency translation

Effective September 1, 2001, the Company adopted the recommendations of CICA Handbook section 1650, "Foreign Currency Translation". The new standard eliminates the deferral and amortization approach to exchange gains and losses on long-term monetary items and require the disclosure of exchange gains and losses included in the calculation of net income. This change in accounting policy had no material effect on the financial statements of the Company.

3. Business acquisitions

On February 15, 2002, the Company's subsidiary, Cogeco Radio-Television Inc., completed the acquisition of an 86% interest in television network TQS, in partnership with Bell Globemedia, to increase their ownership to 99%. Cogeco Radio-Television Inc. contributed its television assets and its 12.9% interest in TQS while Bell Globemedia contributed cash of $72,416,000. Subsequently, Cogeco Radio-Television Inc. acquired the remaining 1.1% interest from non-controlling shareholders. As a result of these transactions, Cogeco Radio-Television Inc. owns a 60% indirect interest in TQS.

During fiscal year 2001, the Company's subsidiary, Cogeco Cable Inc., completed the following transactions:

a) In September 2000, the acquisition of all the outstanding shares of Câblo Distribution G inc., Télécâble Provincial inc. and Lindsay CATV System Limited;

b) In November 2000, the acquisition of all the outstanding shares of Cablevue (Quinte) Limited and related companies and of Médiacâble inc.;

c) In January 2001, the acquisition of all the outstanding shares of Harrowby Communications Inc. and related companies;

d) In February 2001, the acquisition of all the outstanding shares of Muskoka Cable Systems Limited and related companies, of Huntsville Cable Services Limited and of Décibel inc.

3. Business acquisitions (continued)

The net assets acquired and consideration paid for these transactions are as follows:

	2002	2001
Assets acquired		
Working capital deficiency (including bank indebtedness of $2,193 in 2002)	$ (8,542)	$ (4,592)
Fixed assets	13,348	39,127
Deferred charges	305	266
Broadcasting rights	22,911	—
Broadcasting licenses and customer base	23,366	227,597
Goodwill	27,925	—
	79,313	262,398
Assumed liabilities		
Future income tax liabilities	(5,915)	36,073
Long-term debt	14,056	177
	8,141	36,250
Net assets acquired	71,172	226,148
Investment previously accounted for	(6,794)	—
Paid in Cogeco Cable Inc. subordinate voting shares	—	(145,293)
Paid in cash	$ 64,378	$ 80,855

4. Depreciation and amortization

	2002	2001
Fixed assets	$ 87,673	$ 75,684
Deferred charges	10,590	7,949
Broadcasting licenses and customer base	—	11,373
	$ 98,263	$ 95,006

5. Unusual items

	2002	2001
Gain on dilution resulting from shares issued by a subsidiary	$ (34,443)	$ (61,066)
Charges related to staffing reduction programs of subsidiaries	5,517	—
Write-off of certain investments	5,671	970
Write-off of certain fixed assets	—	28,963
Write-off of certain deferred charges	—	798
	$ (23,255)	$ (30,335)

During fiscal year 2002, the Company realized a dilution gain of $34,443,000 resulting from the issuance of common shares by a subsidiary of Cogeco Radio-Television Inc. in connection with the acquisition of TQS Inc. (note 3).

Also in 2002, the Company's subsidiary, Cogeco Cable Inc., completed a staff reduction program. As a result, a charge of $4,925,000 has been recorded as an unusual item for the payment of employee severances.

Finally in 2002, the Company's subsidiary, Cogeco Radio-Television Inc., has written-off its investment of $5,671,000 in Stornoway Communications Limited Partnership as well as incurred restructuring charges related to the production service of TQS Inc. amounting to $592,000, made up of employee severances.

The dilution gain in 2001 resulted from the issues of subordinate voting shares by the Company's subsidiary, Cogeco Cable Inc. The details of these issues are as follows: a first issue of 2,500,000 shares at a price of $40.00 per share for a total amount of $100,000,000 and issues to acquire cable distribution networks of 3,785,248 shares at an average price of $38.38 per share for a total amount of $145,293,000. Subsequent to these issues, the ownership of the Company in Cogeco Cable Inc. decreased from 46.7% to 39.4%. In addition, an amount of $29,258,000 was written-off for the IP telephony project by Cogeco Cable Inc. Finally, an amount of $1,473,000 was written-off by the Company and its subsidiaries related to other assets.

6. Income taxes

	2002	2001
Current	$ 3,922	$ 6,301
Future	4,370	(24,709)
	$ 8,292	$ (18,408)

The following table provides the reconciliation between statutory federal and provincial income taxes and the effective consolidated income tax rate:

	2002	2001
Income taxes at combined income tax rate of 36.4% (40.0% in 2001)	$ 18,752	$ 21,780
Income (loss) subject to lower tax rates	(1,468)	1,335
Reduction in income taxes as a result of changes in substantially enacted tax rates	(406)	(24,250)
Non-taxable dilution gain	(12,341)	(24,411)
Income taxes arising from the non-deductible amortization of broadcasting licenses, customer base and deferred charges	—	3,442
Large corporation tax	3,614	3,541
Other	141	155
Income taxes at effective income tax rate	$ 8,292	$ (18,408)

The income tax effect of temporary differences that give rise to a significant portion of future income tax assets and liabilities are as follows:

	2002	2001
Future income tax assets		
Non-capital loss carryforwards	$ 58,309	$ 30,656
Other	5,987	6,229
	64,296	36,885
Valuation allowance	(5,300)	—
Total future income tax assets	58,996	36,885
Future income tax liabilities		
Fixed assets	68,578	54,564
Deferred charges	11,820	8,116
Broadcasting licenses and customer base	149,000	145,400
Other	(405)	658
Total future income tax liabilities	228,993	208,738
Net future income tax liabilities	$ 169,997	$ 171,853

As at August 31, 2002, the Company's subsidiaries had accumulated income tax losses amounting to approximatively $192,000,000, the benefits which have been recognized in these financial statements. These losses expire as follows:

2003	2004	2005	2006	2007	2008	2009
$2,300	$17,000	$23,200	$48,300	$15,700	$50,000	$35,500

In 2001, the Company adopted CICA recommendations related to income taxes. The change in accounting policy has been applied retroactively as at September 1, 2000, and resulted in an increase in future income taxes liabilities of $75.3 million, an increase in broadcasting licenses and customer base of $70.4 million, a decrease in non-controlling interest of $1.0 million, and a decrease in retained earnings of $3.9 million.

7. Segmented information

The Company's activities are divided into two business segments: Cable and Media. The Cable segment is comprised of all cable and high-speed Internet access operations, and the Media segment is comprised of radio and television operations.

The principal financial information per business segment is presented in the table below:

	Cable		Media		Head Office and eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
Revenue	**$ 447,984**	$ 438,768	**$ 84,014**	$ 40,046	**$ —**	$ —	**$ 531,998**	$ 478,814
Operating costs	**279,638**	278,259	**67,261**	27,727	**(2,206)**	(1,518)	**344,693**	304,468
Operating income before depreciation and amortization	**168,346**	160,509	**16,753**	12,319	**2,206**	1,518	**187,305**	174,346
Depreciation and amortization	**95,073**	92,080	**3,038**	2,516	**152**	410	**98,263**	95,006
Income before other items	**73,273**	68,429	**13,715**	9,803	**2,054**	1,108	**89,042**	79,340
Unusual items (gain)	**4,925**	30,481	**(28,180)**	—	**—**	(60,816)	**(23,255)**	(30,335)
Financial expense	**59,645**	53,794	**1,958**	3,566	**(787)**	(2,135)	**60,816**	55,225
Income taxes	**4,915**	(21,664)	**1,444**	967	**1,933**	2,289	**8,292**	(18,408)
Net assets employed [1]	**$1,719,063**	$1,682,687	**$ 113,363**	$ 35,970	**$ 9,516**	$ 12,057	**$1,841,942**	$1,730,714
Acquisition of fixed assets	**121,323**	165,592	**4,935**	1,385	**—**	22	**126,258**	166,999

(1) Total assets less cash and cash equivalents, accounts payable and accrued liabilities and deferred and prepaid income.

8. Fixed assets

	2002	2001
Cost		
Land	$ 3,959	$ 3,935
Buildings	35,074	33,499
Cable systems	913,193	805,361
Broadcasting and production equipment	78,342	59,335
Decoders, modems and customer's premise devices	76,849	82,157
Rolling stock under capital leases	4,607	5,027
Other equipment	83,460	81,491
Other	10,210	10,300
	1,205,694	1,081,105
Accumulated depreciation		
Buildings	7,284	6,432
Cable systems	307,282	258,888
Broadcasting and production equipment	37,526	32,418
Decoders, modems and customer's premise devices	24,110	17,158
Rolling stock under capital leases	2,584	1,991
Other equipment	37,166	27,134
Other	6,761	6,706
	422,713	350,727
	$ 782,981	$ 730,378

9. Deferred charges, net of amortization

	2002	2001
New services launch costs	$ 14,263	$ 18,604
Equipment subsidies and other costs	18,530	615
Financing costs	5,496	1,841
Other	1,364	1,833
	$ 39,653	$ 22,893

10. Broadcasting licenses and customer base

	2002	2001
Cost		
Broadcasting licenses	$ 60,643	$ 37,277
Customer base	1,040,644	1,040,644
	1,101,287	1,077,921
Accumulated amortization		
Broadcasting licenses	7,917	7,917
Customer base	50,872	50,872
	58,789	58,789
	$ 1,042,498	$ 1,019,132

11. Bank indebtedness

The available line of credit of the Company amounts to $5,000,000 of which $1,925,000 was drawn at August 31, 2002. This line of credit requires commitment fees and interest rates are based on bank prime rates or Bankers' Acceptance.

The available line of credit of Cogeco Cable Inc. amounts to $25,000,000 of which $659,000 was drawn at August 31, 2002. This line of credit is revised periodically, does not require commitment fees and is secured on the same basis as the Term Facility (note 12).

The operating line of credit available to the indirect subsidiary of the Company, TQS Inc., amounted to $5,000,000, of which $382,678 was drawn at August 31, 2002. This line of credit, in the form of term credit provided by a financial institution, is reviewed periodically and the interest rates are based on prime rate. The term credit is secured by a first-ranking fixed and floating charge for an amount of $6,000,000 on the assets of TQS Inc. and its subsidiaries. According to the terms of the credit, TQS Inc. has agreed to maintain certain financial ratios with respect to its accounts receivable and its shareholders' equity. This term credit is renewable on an annual basis.

12. Long-term debt and Term facilities

	Maturity	Interest rate	2002	2001
Parent company				
Term Facility	2005	4.67 % (1)	$ 19,000	$ 15,000
Other	—	—	3,273	2,549
Subsidiaries				
Term Facility	2007	4.85 (1)	129,000	518,000
Senior Secured Debentures Series 1	2009	6.75	150,000	150,000
Senior Secured Notes				
Series A – US $150 million	2008	6.83	233,820	—
Series B	2011	7.73	175,000	—
Second Secured Debentures Series A	2007	8.44	125,000	125,000
Obligations under capital leases	2007	6.70 – 11.32	2,407	4,485
Preferred shares (2)	2006	—	5,720	7,120
Other	—	—	3,138	967
			$ 846,358	$ 823,121

(1) Average interest rate on debt as of August 31, 2002, including stamping fees.

(2) 5,720,000 preferred shares 5.5% cumulative dividend, redeemable and retractable to a maximum of $1,400,000 annually.

12. Long-term debt and Term facilities (continued)

a) On February 15, 2002, the Term Facility and the operating line of credit of the Company were restructured. Following this restructuring, the Term Facility and the operating line of credit are secured by a first fixed and floating charge on certain assets of the Company and certain of its subsidiaries except for permitted encumbrances, including funded obligations subject to a maximum amount. The provisions under these facilities provide for restrictions on the operations and activities of the Company. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares as well as incurrence and maintenance of certain financial ratios primarily linked to financial expense, total indebtedness and shareholders' equity.

The Term Facility of $40,000,000, provided by a syndicate of financial institutions, can be extended for an additional year at each anniversary date of the facility, subject to lenders' approval. If the approval is not obtained, the Term Facility is convertible in a 2-year Term Facility. The Term Facility requires commitment fees and interest rates are based, at the Company's option, on bankers' acceptance or bank prime rates.

b) The Company's subsidiary, Cogeco Cable Inc., has revised the agreement with its lenders for the committed Term Facility, reducing the Term Facility to $400,000,000. The Term Facility is repayable, at any time without penalty no later than January 31, 2007, and will be reduced to $270,000,000 as at January 31, 2005 and $95,000,000 as at January 31, 2006. The Term Facility requires commitment fees, and interest rates are based, at Cogeco Cable Inc.'s option, on bankers' acceptance or bank prime rates.

Cogeco Cable Inc.'s Term Facility and the operating line of credit described in note 11 are secured by a first fixed and floating charge on the assets of Cogeco Cable Inc. and certain of its subsidiaries except for permitted encumbrances, including purchase money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary subject to a maximum amount in proportion to consolidated assets. The provisions under these facilities provide for restrictions on the operations and activities of Cogeco Cable Inc. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares, and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense, fixed charges and total indebtedness. Cogeco Cable's credit facilities are not guaranteed by COGECO Inc.

c) The Senior Secured Debentures Series 1 are redeemable at the Company's subsidiary, Cogeco Cable Inc.'s option, in whole or in part, at the greater of par value or the Canada bond yield plus 0.3%. These debentures mature on June 4, 2009, and bear interest at 6.75% per annum, payable semi-annually. These debentures are indirectly secured by a first fixed and floating charge and a security interest on all assets of Cogeco Cable Inc. and certain of its subsidiaries.

d) The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These Notes are indirectly secured by a first fixed and floating charge and a security interest on all assets of the Company's subsidiary, Cogeco Cable Inc., and certain of its subsidiaries. The Notes are redeemable at Cogeco Cable Inc.'s option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium. The Series A mature on October 31, 2008 and the Series B mature on October 31, 2011. The Senior Secured Notes Series B have an interest coupon rate of 7.73% per annum, payable semi-annually.

On November 1, 2001, the Company's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to fix the liability for interest and principal payments on US $150,000,000 of its Senior Notes Series A which have an interest coupon rate of 6.83% per annum, payable semi-annually. These agreements have resulted in an effective interest rate of 7.254% per annum on the Canadian dollar equivalent of the U.S. debt. The exchange rate applicable to the principal portion of the debt has been fixed at CDN $1.5910.

e) The Second Secured Debentures Series A are redeemable at the Company's subsidiary, Cogeco Cable Inc.'s option in whole or in part, at the greater of par value or Canada bond yield plus 0.5%. These debentures mature on July 31, 2007, and bear interest at 8.44% per annum, payable semi-annually. These debentures are secured by second fixed charges on certain assets and, floating charges on all assets of Cogeco Cable Inc. and certain of its subsidiaries.

f) Principal repayments due on long-term debt, excluding those under capital leases, are as follows:

2003	2004	2005	2006	2007
$ 1,466	$ 1,468	$ 20,468	$ 35,569	$ 220,000

g) Minimum payments due under capital leases total $2,659,000, of which $252,000 represent financial expense, and are as follows:

2003	2004	2005	2006	2007
$ 1,362	$ 710	$ 432	$ 120	$ 35

13. Capital stock

Authorized, an unlimited number of

Preferred shares of first and second rank, issuable in series and non-voting, except when specified in the Articles of Incorporation of the Company or in the Law.

Multiple voting shares, 20 votes per share

Subordinate voting shares, 1 vote per share

	2002	2001
Issued		
1,849,900 multiple voting shares	$ 12	$ 12
14,406,253 subordinate voting shares (14,385,113 in 2001)	114,530	114,323
	$ 114,542	$ 114,335

During the year, subordinate voting share transactions were as follows:

	2002		2001	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning	14,385,113	$ 114,323	14,269,524	$ 113,686
Shares issued for cash under the Employee Stock Purchase Plan and the Stock Option Plan	21,440	210	57,589	637
Conversion of multiple voting shares to subordinate voting shares	—	—	58,000	—
Purchase of shares for cancellation	(300)	(3)	—	—
Balance at end	14,406,253	$ 114 530	14,385,113	$ 114,323

During fiscal year 2002, the Company issued 7,440 shares (7,289 shares in 2001) pursuant to its Employee Stock Purchase Plan for a cash consideration of $136,000 ($186,000 in 2001) and issued 14,000 shares (50,300 shares in 2001) pursuant to its Employee Stock Option Plan for a cash consideration of $74,000 ($451,000 in 2001).

Stock-based plans

The Company established, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan for certain executives. Under these plans, no more than 10% of the outstanding subordinate voting shares are available. The Employee Stock Purchase Plan is accessible to all employees up to a maximum of 5% of their annual salary. The subscription date is December 31 and the subscription price is based on the average market price of the shares of the last five business days of November, less 10%. A maximum of 40,000 shares are available annually under this plan. A total of 1,545,700 subordinate voting shares are reserved for the purpose of Stock Option Plan. The minimum purchase price for which options are granted is not less than the market value of such shares at the time the option is granted. Granted options vest 20% per year beginning the day such options are granted and are exercisable over 10 years.

Under the Stock Option Plan, the following options were granted by the Company and are outstanding as at August 31:

	2002		2001	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	572,972	$ 13.28	578,629	$ 11.03
Granted	80,104	20.95	44,643	37.50
Exercised	(14,000)	5.26	(50,300)	8.97
Forfeited	(3,500)	8.07	—	—
Outstanding, end of year	635,576	$ 14.45	572,972	$ 13.28
Exercisable, end of year	496,135	$ 12.00	432,541	$ 10.57

13. Capital stock (continued)

At August 31, 2002, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 4.275 to $ 8.375	138,600	3.57	$ 6.80	138,600	$ 6.80
9.00 to 14.00	302,100	4.32	11.23	281,500	11.03
20.95 to 21.40	150,633	8.23	21.16	58,338	21.28
37.50	44,243	8.17	37.50	17,697	37.50
	635,576	5.35	$ 14.45	496,135	$ 12.00

During the year, the Company granted 80,104 stock options with an exercise price of $20.95. As permitted by CICA Handbook section 3870, the Company does not record any compensation expense for options granted to employees. If compensation cost had been recognized using the fair value-based method at the grant date, the Company's net income and earnings per share for the year ended August 31, 2002 would have been reduced to the following pro forma amounts:

Net income	
As reported	$ 40,417
Pro forma	40,110
Basic earnings per share	
As reported	$ 2.49
Pro forma	2.47
Diluted earnings per share	
As reported	$ 2.46
Pro forma	2.44

Because the method of accounting under CICA Handbook section 3870 has not been applied to options granted prior to September 1, 2001, the pro forma compensation cost may not be representative of compensation cost to be expected in future years.

The fair value of each option granted was estimated on the grant date for purposes of the pro forma disclosures using the Binomial option pricing model based on the following assumptions:

Expected dividend yield	1.25 %
Expected volatility	40 %
Risk-free interest rate	4.63 %
Expected life in years	5.4

The fair value of stock options granted for the year ended August 31, 2002, was $8.40 per option.

For the purpose of pro forma disclosures, stock-based compensation is amortized to expense on a straight-line basis over the vesting period, which is four years.

The Binomial option pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option pricing models require the use of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can have a material effect on the fair value estimate, in management's opinion, the existing option pricing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

13. Capital stock (continued)

The Company and its subsidiary, Cogeco Cable Inc., have also adopted a performance unit plan for key employees. The value of a performance unit granted is equal to the closing price of the subordinate shares of the Company and its subsidiary on the Toronto Stock Exchange on the trading day preceding the date of grant of the unit. The units credited to the participant's account will become vested to the participant on the third anniversary of the date of grant of the said performance units. The units will be redeemed only at the termination of the participant's employment or in case of retirement or death. Each unit credited gives the right to a Dividend Equivalent equal to the amount of dividend per share paid on the subordinate voting shares of the Company and its subsidiary. The Dividend Equivalent is converted into additional units. The units do not confer on the participant the right to acquire shares or other securities of the Company and its subsidiary under any circumstances and the participant shall not, by holding units or otherwise, be considered a shareholder of the Company and its subsidiary nor have any rights to become a shareholder as a result. An amount of $241,000 has been recorded as a reduction of expenses related to this plan. In 2001, an expense amounting to $301,000 was recorded.

TQS Inc., an indirect subsidiary of the Company, adopted in May 2002 a stock option plan for certain officers and key employees. The plan provides for the granting by the Board of Directors to the participants of options to acquire non-voting common shares of the Company. The plan also provides for the granting by the Board of Directors to the participants of rights to receive the increased value on the shares ("the appreciation rights"), jointly with the options being granted. In such a case, an appreciation right is not separable from the option with which it was granted such that when a participant decides to exercise its appreciation rights, he consequently renounces the corresponding stock options. The stock options and the appreciation rights vest 20% per year beginning the day such stock options and appreciation rights are granted and can be exercised during a period of ten years and six months following their granting date. An expense of $618,000 has been recorded related to this plan.

14. Earnings per share

The following table provides a reconciliation between basic and diluted earnings per share:

	2002	2001
Net income	$ 40,417	$ 69,357
Weighted average number of multiple voting and subordinate voting shares outstanding	16,239,512	16,203,825
Effect of dilutive stock options	198,171	318,343
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	16,437,683	16,522,168
Earnings per share		
Basic	$ 2.49	$ 4.28
Diluted	2.46	4.20

15. Financial instruments

Fair value

The Company uses the following methods and assumptions to evaluate fair market value of financial instruments:

Accounts receivable, accounts payable and accrued liabilities

The carrying amount in the consolidated balance sheets approximates fair value because of the short-term nature of these instruments.

Long-term debt

a) Financial expense under the terms of the term facilities are based upon bankers' acceptance or bank prime rates. Therefore, carrying value is considered to represent fair market value for term facilities.

b) The carrying values of obligations under capital leases and other items of the long-term debt approximate the fair value of these financial instruments.

c) The fair value of the Senior Secured Debentures Series 1, Senior Secured Notes Series A and B, and the Second Secured Debentures Series A is based upon current trading values of similar financial instruments.

d) The fair value of the derivative financial instruments is based upon available information about the financial instruments and market conditions.

15. Financial instruments (continued)

The estimated fair values of long-term debt instruments and derivative instruments are as follows:

	2002		2001	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt	$ 846,358	$ 811,935	$ 823,121	$ 816,754
Derivative financial instruments - asset (liability) position	—	539	351	(778)

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Credit risks

The Company's credit risk arises from the possibility that counterparts to the cross-currency swap agreements and currency swap agreement may default on their obligations. The Company reduces risks by completing transactions with financial institutions that carry a credit rating equal or superior to A+. In addition, since the Company has a large and diversified clientele, credit risk concentration from customers is minimal.

16. Statements of cash flow

a) Change in non-cash working capital items

	2002	2001
Accounts receivable	$ (23,890)	$ (5,714)
Income tax receivable	(7,026)	2,125
Broadcasting rights	(18,620)	—
Prepaid expenses	2,074	6,778
Accounts payable and accrued liabilities	43,101	(8,863)
Deferred and prepaid income	439	5,011
Working capital (deficiency) related to business acquisitions	16,562	(4,592)
	$ 12,640	$ (5,255)

b) Fixed assets

During the year, fixed assets acquisitions amounted to $127,040,000 ($167,776,000 in 2001), $782,000 ($777,000 in 2001) which were acquired through leases. Disbursements for the purchase of fixed assets totalled $126,258,000 ($166,999,000 in 2001).

c) Other information

	2002	2001
Financial expense paid	$ 49,860	$ 45,457
Income taxes paid	5,997	3,528
Shares issued by a subsidiary for the acquisition of cable systems	—	145,293

17. Employees future benefits

The Company and its subsidiaries offer to their employees a contributory defined benefit pension plans, a defined contribution pension plan or a collective registered retirement savings plan. With respect to the last two plans, the Company and its subsidiaries' obligation is limited to the payment of the monthly employer's portion. The expenses related to these two plans amounted to $1,468,000 ($1,250,000 in 2001).

The defined benefit pension plans provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Company and its subsidiaries offer certain executives a supplementary pension plan.

17. Employees future benefits (continued)

The following table provides a reconciliation of the change in the plans' benefit obligations and fair value of plan assets, and a statement of the funded status as at August 31:

	2002	2001
Change in accrued benefit obligation		
Accrued benefit obligation at beginning of year	$ 15,178	$ 14,337
Accrued benefit obligation on the acquisition of TQS Inc.	4,108	—
Service cost	798	478
Interest cost	1,321	1,020
Contributions by plan participants	173	172
Benefits paid	(956)	(829)
Accrued benefit obligation at end of year	20,622	15,178
Change in plan assets		
Fair value of plan assets at beginning of year	13,432	13,045
Fair value of plan assets on the acquisition of TQS Inc.	2,536	—
Expected return on plan assets	801	805
Amortization of net actuarial loss	(163)	—
Employer contributions	425	411
Benefits paid	(956)	(829)
Fair value of plan assets at end of year	16,075	13,432
Funded status		
Deficit and net accrued benefit liability	$ 4,547	$ 1,746
The net benefit expense includes the following components:		
Service cost	$ 798	$ 478
Interest cost	1,321	1,020
Expected return on plan assets	(801)	(805)
Amortization of net actuarial loss	163	—
Net periodic benefit cost	$ 1,481	$ 693

The significant weighted average assumptions used in measuring the Company's pension and other obligations are as follows:

	2002	2001
Discount rate	7.00%	7.00%
Expected rate of return on plan assets	7.25%	7.25%
Rate of compensation increase	5.00%	5.00%

As of September 1, 2000, the Company adopted the recommendations of the CICA with respect to employee future benefits whereby the costs of retirement benefits is established based on new methods and assumptions and the cost of post-employment benefits is recognized over the period in which the employees render services rather than on a pay-as-you go basis. These changes were applied retroactively through an adjustment to opening retained earnings and the comparative figures have not been restated. As a result, as at September 1, 2000, the liability for employee future benefits was increased by $0.3 million and retained earnings were reduced by $0.3 million.

18. Commitments and contingencies

a) As at August 31, 2002, the Company and its subsidiaries are committed under lease agreements to pay annual rent as follows:

2003	2004	2005	2006	2007	2008 and thereafter
$ 39,075	$ 19,608	$ 16,043	$ 13,861	$ 12,318	$ 23,449

b) The Company and its subsidiaries are involved in matters involving litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these financial statements.

19. Comparative figures

Certain comparative figures have been reclassified in order to conform with the presentation adopted in 2002.

Selected Quarterly Information

(in thousands of dollars, except per share data)

Operating Results

Quarters ended,	Nov. 30	Feb. 28	May 31	Aug. 31	2002 Total	Nov. 30	Feb. 28	May 31	Aug. 31	2001 Total
Revenue	$125,968	$123,729	$147,226	$135,075	$531,998	$115,424	$ 117,724	$127,208	$118,458	$ 478,814
Operating income before depreciation and amortization	46,849	46,070	50,379	44,007	187,305	42,076	40,733	47,865	43,672	174,346
Income (loss) before income taxes [1]	4,723	40,380	9 816	(3,438)	51,481	54,328	15,229	11,266	(26,373)	54,450
Net income from recurring operations	4,053	2,445	3,963	1,152	11,613	3,041	548	2,861	10,184	16,634
Net income (loss)	2,710	36,452	3,747	(2,492)	40,417	50,318	12,257	4,852	1,930	69,357
Cash flow [2]	31,651	27,552	34,396	31,862	125,461	28,584	27,808	31,941	27,030	115,363

Per Share Data [3]

Net income from recurring operations										
– basic	$0.25	$0.15	$0.24	$0.07	$0.72	$0.19	$0.03	$0.18	$0.63	$1.03
– diluted	0.24	0.15	0.24	0.07	0.71	0.18	0.03	0.17	0.62	1.01
Net income (loss)										
– basic	0.17	2.24	0.23	(0.15)	2.49	3.11	0.76	0.30	0.12	4.28
– diluted	0.16	2.21	0.23	(0.15)	2.46	3.04	0.74	0.29	0.12	4.20
Cash Flow [2]										
– basic	1.95	1.70	2.12	1.96	7.73	1.77	1.72	1.97	1.67	7.12
– diluted	1.92	1.67	2.09	1.95	7.63	1.73	1.68	1.93	1.63	6.98

(1) Income (loss) before income taxes, non-controlling interest and share in the results of an affiliated company.

(2) Cash flow from operating activities before unusual items and changes in non-cash working capital items.

(3) The addition of quarterly per share information may not correspond to the total given the fluctuation of shares outstanding.

Trading Statistics

(in dollars, except subordinate voting share volumes)

The Toronto Stock Exchange

Quarters ended,	Nov. 30	Feb. 28	May 31	Aug. 31	2002 Total	Nov. 30	Feb. 28	May 31	Aug. 31	2001 Total
High	$24.75	$23.45	$20.75	$18.25		$45.75	$35.00	$28.00	$29.90	
Low	16.75	18.75	16.11	10.40		26.00	24.00	21.90	22.95	
Close	19.80	19.80	18.09	11.00		27.50	26.00	27.25	22.95	
Volume (shares)	2,149,071	1,263,734	1,811,257	1,091,060	6,315,122	1,598,703	1,844,196	2,746,056	1,496,964	7,685,919

Ten-Year Financial Highlights

Years ended August 31,
(in thousands of dollars except other statistics, per share data and ratios)

	2002	2001	2000
Operations			
Revenue	$ 531,998	$ 478,814	$ 408,438
Operating income before depreciation and amortization	187,305	174,346	150,845
Financial expense	60,816	55,225	51,656
Income before income taxes [1]	51,481	54,450	32,254
Net income from recurring operations	11,613	16,634	8,369
Net income	40,417	69,357	8,526
Cash Flow [2]	125,461	115,363	101,330
Investments			
Acquisition of fixed assets	$ 127,040	$ 167,776	$ 178,444
Business acquisitions	71,172	226,148	155,358
Financial condition			
Fixed assets	$ 782,981	$ 730,378	$ 626,145
Net assets employed [3]	1,841,942	1,730,714	1,350,432
Total assets	1,991,762	1,838,235	1,462,743
Total indebtedness	855,832	823,121	774,439
Shareholders' equity	343,033	305,822	243,451
Other statistics			
Number of shares outstanding at year end	16,256,153	16,235,013	16,177,424
Weighted average number of outstanding shares	16,239,512	16,203,825	16,119,838
Per share data (basic)			
Operating income before depreciation and amortization	$ 11.53	$ 10.76	$ 9.36
Net income from recurring operations	0.72	1.03	0.52
Net income	2.49	4.28	0.53
Cash Flow [2]	7.73	7.12	6.29
Shareholders' equity	21.10	18.84	15.05
Return ratios			
Operating margin before depreciation and amortization [4]	35.2%	36.4%	36.9%
Return on average net assets employed [5]	10.5	11.3	12.5
Return on average shareholders' equity [6]	12.5	25.3	3.5
Financial ratios			
Total indebtedness/Operating income before depreciation and amortization	4.6	4.7 [7]	5.1 [8]
Interest coverage [12]	3.1	3.2	2.9
Total indebtedness/Shareholders' equity	2.5	2.7	3.2

(1) Income before income taxes, non-controlling interest and share in the results of an affiliated company.
(2) Cash flow from operating activities before unusual items and changes in non-cash working capital items.
(3) Total assets less cash and cash equivalents, accounts payable and accrued liabilities and deferred and prepaid income.
(4) Operating income before depreciation and amortization/Revenue.
(5) Operating income before depreciation and amortization/Average net assets employed.
(6) Net income applicable to multiple voting shares and subordinate voting shares/Average shareholders' equity.
(7) For the fiscal year ended August 31, 2001, the ratio includes financial results for periods less than twelve months of the acquisitions of Cablevue (Quinte) Limited and related companies, of Harrowby Communications and related companies, of Muskoka Cable Systems Limited and related companies, of Huntsville Cable Services Limited, of Médiacâble inc. and of Décibel inc.

1999	1998	1997	1996	1995	1994	1993
$ 358,875	$ 316,132	$ 274,516	$ 214,949	$ 206,897	$ 193,622	$ 190,585
148,009	134,429	110,278	74,240	64,820	60,616	58,851
47,312	47,652	35,703	23,171	22,755	20,992	29,108
94,592	63,173	41,692	15,495	12,872	20,761	29,017
13,373	12,655	12,452	10,056	9,819	10,611	6,009
53,251	20,208	18,430	8	5,210	10,712	22,323
103,136	89,162	70,620	42,466	41,598	36,068	27,634
$ 138,542	$ 83,425	$ 61,546	$ 36,287	$ 42,354	$ 29,609	$ 13,758
19,554	66,061	368,343	14,376	—	—	—
$ 476,992	$ 387,513	$ 324,146	$ 170,026	$ 149,073	$ 122,135	$ 105,326
1,058,858	998,097	864,023	462,676	465,430	438,667	435,001
1,155,577	1,072,647	962,513	511,772	507,434	476,912	465,640
492,952	635,884	594,031	231,354	229,134	208,906	217,481
237,808	187,154	170,323	170,809	173,413	170,145	152,072
16,068,050	15,907,203	15,863,997	17,718,996	17,788,495	17,767,036	14,329,477
15,998,470	15,900,932	16,890,465	17,794,707	17,784,111	16,889,710	11,710,172
$ 9.25	$ 8.45	$ 6.53	$ 4.17	$ 3.64	$ 3.59	$ 5.03
0.84	0.80	0.74	0.57	0.55	0.60	0.36
3.33	1.27	1.09	—	0.29	0.61	1.76
6.45	5.61	4.18	2.39	2.34	2.14	2.36
14.80	11.77	10.74	9.64	9.75	9.58	9.20
41.2%	42.5%	40.2%	34.5%	31.3%	31.3%	30.9%
14.4	14.4	16.6	16.0	14.3	13.9	13.5
25.1	11.3	10.8	—	3.0	6.8	21.8
3.3 (9)	4.7 (10)	5.4 (11)	3.1	3.5	3.4	3.7
3.1	2.8	3.1	3.2	2.8	2.9	2.0
2.1	3.4	3.5	1.3	1.3	1.2	1.4

(8) For the fiscal year ended August 31, 2000, the ratio includes financial results of the acquisition of Cableworks Communications Inc. for an eleven-month period only.

(9) For the fiscal year ended August 31, 1999, the ratio includes financial results of Weyburn and Estevan cable systems sold on December 17, 1998, for approximately a three-month period only, and financial results of the Chilliwack cable system sold on May 31, 1999 for a nine-month period only.

(10) For the fiscal year ended August 31, 1998, the ratio includes financial results of the acquisition of Câblodistribution Le Rocher inc. for a nine-month period only and financial results of cable system exchange with Shaw Communications Inc. for a two-month period only.

(11) For the fiscal year ended August 31, 1997, the ratio includes financial results of the cable systems acquired from Rogers Cablesystems Limited and certain of its related companies for a nine-month and six-day period only. Furthermore, this ratio does not consider that cash and cash equivalents were used subsequently to reduce total indebtedness.

(12) Operating income before depreciation and amortization/Financial expense.

Investor Information

As at August 31,
(in thousands of dollars, except share information)

Consolidated Capitalization	2002	2001	2000	1999	1998
Total indebtedness	$ 855,832	$ 823,121	$ 774,439	$ 492,952	$ 635,884
Shareholders' equity	343,033	305,822	243,451	237,808	187,154
Total	$1,198,865	$ 1,128,943	$ 1,017,890	$ 730,760	$ 823,038

As at August 31, 2002

Credit Rating	DBRS	S&P
Cogeco Cable Inc.		
Senior Secured Debentures Series 1	BBB (Low)	BBB
Second Secured Debentures Series A	BB (High)	BBB–

Cogeco Cable's credit ratings have a negative trend.

As at August 31, 2002

Share Information

Number of multiple voting shares (20 votes per share) outstanding	1,849,900
Number of subordinate voting shares (1 vote per share) outstanding	14,406,253
Stock exchange listing	The Toronto Stock Exchange
Trading Symbol	CGO

Registrar/Transfer Agent

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Montreal, Quebec H3B 2G7
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Fax: (514) 871-7442

121 King Street West, Suite 1600
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Fax: (514) 871-7442

Dividend Policy

The Company declared an annual dividend of $0.21 per share, or $0.0525 quarterly, during 2001-2002 ($0.21 per share, or $0.0525 quarterly, in 2000-2001) to the holders of subordinate voting shares and multiple voting shares.

Years ended August 31
(in dollars, except volume of subordinate voting shares)

Trading Statistics	The Toronto Stock Exchange			
	High	Low	Close	Volume (shares)
2002	**$24.75**	**$10.40**	**$11.00**	**6,315,122**
2001	45.75	21.90	22.95	7,685,919
2000	48.00	19.50	37.95	12,285,120
1999	31.05	11.50	22.25	2,495,317
1998	18.10	9.25	13.65	2,696,676
1997	10.80	6.00	9.60	2,373,819
1996	8.50	5.50	6.70	3,382,585
1995	9.38	5.25	6.63	3,316,267
1994	13.50	9.38	9.38	2,286,202
1993	9.50	5.38	9.38	1,523,793

Cable Statistics

As at August 31,

Number of Customers	**2002**	2001	2000	1999	1998
Homes passed	**1,375,494**	1,358,880	1,197,808	1,103,361	1,110,810
Homes connected [1]	**843,598**	881,731	806,431	765,806	777,155
Revenue Generating Units [2]	**1,124,358**	1,082,953	948,047	804,941	787,573
Basic Service Customers	**836,368**	878,766	806,431	765,806	777,155
Percent Penetration	**60.8%**	64.7%	67.3%	69.4%	70.0%
Discretionary Service Customers					
Tier 1	**633,078**	684,026	650,142	618,201	644,059
Penetration as Percentage of Basic [5]	**77.8%**	79.8%	82.9%	83.4%	83.7%
Tier 2	**408,634**	432,205	401,232	353,589	363,306
Penetration as Percentage of Basic	**64.0%** [3]	66.2% [3]	68.6% [3]	68.5% [4]	67.0% [4]
Tier 3	**357,680**	366,760	347,229	297,119	210,120
Penetration as Percentage of Basic	**56.1%** [3]	56.1% [3]	59.4% [3]	57.6% [4]	38.7% [4]
Pay-TV Service Customers	**116,484**	108,626	88,320	74,196	81,894
Penetration as Percentage of Basic	**13.9%**	12.4%	11.0%	9.7%	10.5%
High-Speed Internet Service Customers	**158,192**	107,938	70,716	39,135	10,418
Penetration as Percentage of Basic	**22.1%** [5]	16.1% [5]	12.2% [5]	—	—
Digital Terminals	**144,950**	105,292	79,063	—	—
Penetration as Percentage of Basic	**18.4%** [5]	13.3% [5]	11.1% [5]	—	—
Bundled Service Customers [6]	**241,686**	187,926	51,203	—	—

(1) Internet service customers who do not subscribe to other cable services and basic service customers.
(2) Basic service, Internet service and digital service customers.
(3) Calculated on the basis of basic service customers, in Ontario and digital service customers, in Quebec.
(4) Only available on systems located in provinces other than Quebec.
(5) Calculated on the basis of the systems where the service is offered.
(6) Bundles including basic service, discretionary tiers, multiple outlets with the option to include pay television, the advantages of digital service and high-speed Internet service

		Basic Service		Discretionary Services		Basic Service
Breakdown by province	Homes Passed	Customers	% of the Penetration [1]	Customers	% of the Penetration [2]	Distribution by Region as a %
Ontario						
Southern Regions	643,112	415,873	64.7%	332,262	79.9%	49.7%
Other Regions	297,453	180,282	60.6	146,920	81.5	21.6
	940,565	596,155	63.4	479,182	80.4	71.3
Quebec	434,929	240,213	55.2	164,849	68.6	28.7
Total in Canada	1,375,494	836,368	60.8%	644,031	77.0%	100.0%

(1) As percentage of Homes Passed.
(2) As percentage of Basic Service Customers.

Subsidiaries and Operating Units

Cable

Cogeco Cable Inc.

1 Place Ville Marie
Suite 3636
Montreal, Quebec
H3B 3P2
Tel.: (514) 874-2600
Fax: (514) 874-2625

5 Place Ville Marie
Suite 915
Montreal, Quebec
H3B 2G2
Tel.: (514) 874-2600
Fax: (514) 875-0102

Jacques Bégin
Vice-President,
Special Projects

Denis Bélanger
Vice-President,
Engineering and Development

Hélène Laurin
Vice-President,
Administration and Control

Ron Perrotta
Vice-President,
Marketing and Sales

Louise St-Pierre
Vice-President and Chief
Information Officer

Tom McCutcheon
Vice-President and Director,
Product Management and Planning

Andre Schermel
Vice-President,
Engineering, HFC and Fiber Infrastructure

Cable Ontario

950 Syscon Road
P.O. Box 5076, Stn. Main
Burlington, Ontario
L7R 4S6
Tel.: (905) 333-5343
Fax: (905) 332-8426

Gaston Germain
Vice-President
and General Manager

Chris MacFarlane
Vice-President,
Engineering, IP and
Transport Services

Gerry Marshall
Vice-President,
Technical Operations

Cable Quebec

1630 6e Rue
Suite 200
Trois-Rivières, Quebec
G8Y 5B8
Tel.: (819) 372-9292
Fax: (819) 372-3318

Jules Grenier
Vice-President and General Manager

Hélène Dubuc
Vice-President,
Communications and Programming

Jacques Gravel
Vice-President,
Network Operations

Radio et Television

Cogeco Radio-Télévision inc.

612 St-Jacques
Suite 100
Montreal, Quebec H3C 5R1
Tel.: (514) 390-6035
Fax: (514) 390-6279

Michel J. Carter
President and
Chief Executive Officer

Radio

105.7 RYTHME FM
(CFGL-FM)
Laval/Montréal, Quebec

Jacques Boiteau
General Manager

CJMF-FM
Quebec, Quebec

Geoffrey O. Brown
General Manager

Television

TQS Inc.

Michel J. Carter
President and
Chief Executive Officer

René Guimond
President and Chief
Operating Officer

Mario Cecchini
Vice-President,
Sales

Thérèse David
Vice-President,
Communications

Luc Doyon
Vice-President
Programming and Information

Jean-Marc Fortier
Executive Vice-President,
Corporate Services

Richard Gauthier
Vice-President,
Human Resources

Monique Lacharité
Executive Vice-President,
Finance and Administration

CKSH-TV/CFKS-TV
Sherbrooke, Quebec

Michel Cloutier
General Manager

CKTM-TV/CFKM-TV
Trois-Rivières, Quebec

Michel Cloutier
General Manager

CKTV-TV/CFRS-TV
Jonquière, Quebec

Guy Simard
General Manager

CFAP
Quebec, Quebec

Renauld Francoeur
General Manager

Board of Directors and Management

Board of Directors

■▲✦ **Maurice Myrand**, F.C.A., A.I.F.
Chairman of the Board
Director

■▲ **Henri Audet**, C.M., D.Sc., Eng.
Chairman Emeritus
Director

■ **Louis Audet**, M.B.A., Eng.
President and
Chief Executive Officer
Director

● **Robert Bonneau**, Eng.
Corporate Director
Director

●✦ **Jacqueline L. Boutet**, C.M.
President,
Jacqueline L. Boutet Inc.
Director

● **André Brousseau**
Corporate Director
Director

▲ **Daniel Damov**
Corporate Director
Director

● **Henri P. Labelle**, B. Arch., M.B.A.
Architect and Certified Arbitrator
Director

✦ **David McAusland**, B.C.L., LL.B.
Senior Vice-President
Mergers & Acquisitions
& Chief Legal Officer
Alcan Inc.
Director

▲✦ **Jan E. Peeters**, Eng., C.M.A.
President,
Olameter Inc.
Director

■ Member of the Executive Committee
● Member of the Audit Committee
▲ Member of the Human Resources Committee
✦ Member of the Governance Committee

Management

Maurice Myrand
Chairman of the Board

Louis Audet
President and
Chief Executive Officer

Pierre Gagné
Vice-President, Finance
and Chief Financial Officer

Yves Mayrand
Vice-President, Legal Affairs and Secretary

Christian Jolivet
Director,
Legal Affairs and Secretary

Isabelle Morin
Director of Internal Audit
and Financial Planning

Andrée Pinard
Treasurer

Corporate Information

Head Office
1 Place Ville Marie
Suite 3636
Montreal, Quebec
H3B 3P2
Tel.: (514) 874-2600
Fax: (514) 874-2625
www.cogeco.com

Annual Meeting
Shareholders' Annual Meeting will be held at 11 a.m. on Wednesday December 11, 2002, in the Gold and Gray Rooms of the Ritz-Carlton Montreal Hotel, 1228 Sherbrooke Street West, Montreal, Quebec.

Auditors
Samson Bélair/
Deloitte & Touche
1 Place Ville Marie
Suite 3000
Montreal, Quebec
H3B 4T9

Legal Counsel
Fraser Milner Casgrain LLP
1 Place Ville Marie
Suite 3900
Montreal, Quebec
H3B 4M7

General Inquiries

Investors and Analysts
For financial information about the Company, please contact the Department of Finance.

Shareholders
For any inquiries other than a change of address, financial information or a change of registration of shares, please contact the Legal Affairs Department.

Duplicate Communications

Some shareholders may receive more than one copy of publications such as Quartely Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise National Bank Trust.

Quarter ends

November, February, May

Information

Persons wishing to receive a copy of the Annual Information Form or the Quarterly Reports should call (514) 874-2600.

Des exemplaires en français du rapport annuel, de la notice annuelle et des rapports trimestriels sont disponibles sur demande au (514) 874-2600.

Year end

August 31

Anik Charbonneau Communications
Police graphique